

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2012



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
OF CONTRA COSTA COUNTY**

**CONCORD, CALIFORNIA**

**JUNE 30, 2012**

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The Mount Diablo Unified School District was established on July 1, 1949. The District is a political subdivision of the State of California. The District is located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District currently operates twenty-eight elementary schools, nine middle schools, and six high schools. This District also maintains two special education schools, one continuation education high school, five necessary small high schools, one independent study school and two adult education centers.

The Board of Education of Mount Diablo Unified School District is composed of five members elected at large within the boundaries of the District. The Board and Administrative Staff manage and control the affairs of the District.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Sherry Whitmarsh*	President	December 2012
Linda Mayo	Vice-President	December 2014
Gary Eberhart*	Member	December 2012
Lynne Dennler	Member	December 2014
Cheryl Hansen	Member	December 2014

**DISTRICT ADMINISTRATORS**

Steven Lawrence, Ph.D.  
*Superintendent*

Rose Lock  
*Assistant Superintendent-Student Achievement and School Support*

Julie Braun Martin  
*Assistant Superintendent-Personnel Services*

Mildred Browne, Ed.D.\*\*  
*Assistant Superintendent-Pupil Services and Special Education*

Bryan Richards  
*Chief Financial Officer*

Gregory J. Rolen, Esq.  
*General Counsel*

\* As of the date of this report, Sherry Whitmarsh and Gary Eberhart no longer sit on the Governing Board.

\*\* As of the date of this report, Mildred Browne is no longer in this position with the District.

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FOR THE YEAR ENDED JUNE 30, 2012**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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Licensed by the California  
State Board of Accountancy

Governing Board  
Mount Diablo Unified School District  
Concord, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mount Diablo Unified 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Mount Diablo Unified School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 on our consideration of Mount Diablo Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 3 through 8, the budgetary comparison information on page 51, and the schedule of funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Diablo Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Christy White Associates*

San Diego, California  
December 13, 2012

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

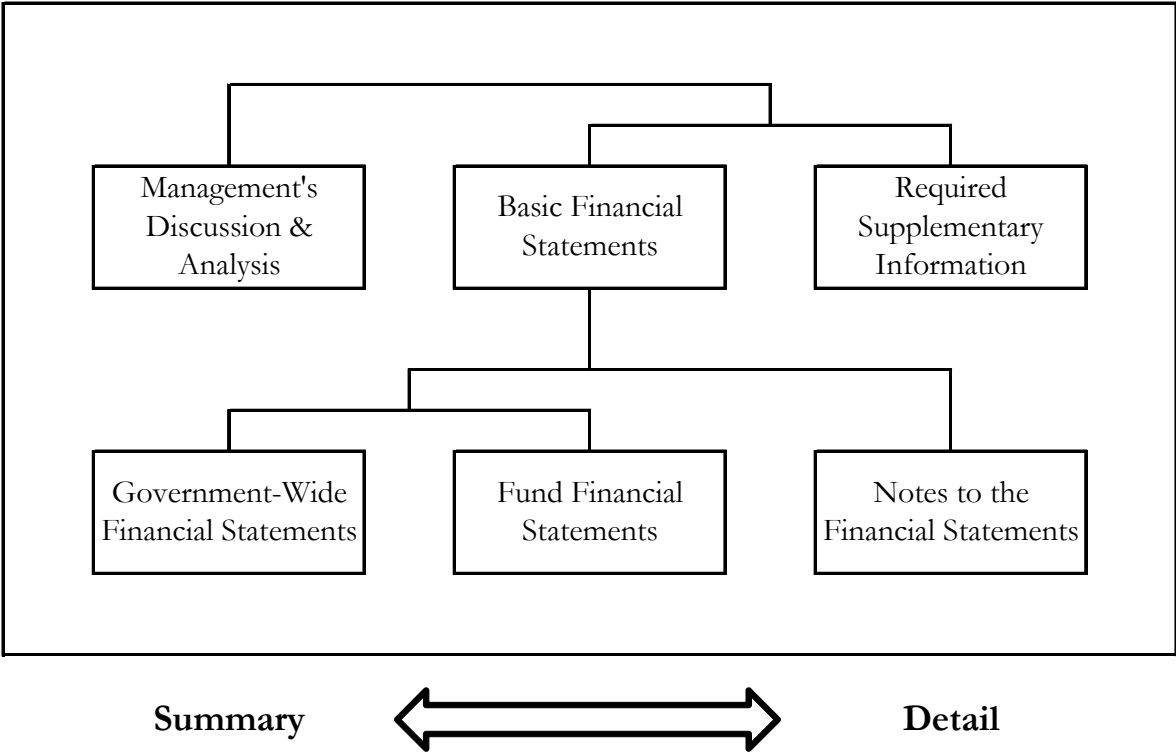
Our discussion and analysis of Mount Diablo Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ Total net assets were \$184,235,459 at June 30, 2012. This was a decrease of \$18,468,100 from the prior year.
- ▶ Overall revenues were \$327,760,497 which were exceeded by expenses of \$346,228,597.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**





**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. 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 financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or trustee of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Assets**

The District's combined net assets were \$184,235,459 at June 30, 2012, as reflected in the table below. Of this amount, \$8,377,107 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 316,980,355	\$ 240,293,612	\$ 76,686,743
Capital assets	458,489,266	405,249,798	53,239,468
<b>Total Assets</b>	<b>775,469,621</b>	<b>645,543,410</b>	<b>129,926,211</b>
<b>LIABILITIES</b>			
Current liabilities	44,910,315	42,048,596	(2,861,719)
Long-term liabilities	546,323,847	400,791,255	(145,532,592)
<b>Total Liabilities</b>	<b>591,234,162</b>	<b>442,839,851</b>	<b>(148,394,311)</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	150,680,893	123,136,564	27,544,329
Restricted	25,177,459	57,011,716	(31,834,257)
Unrestricted	8,377,107	22,555,279	(14,178,172)
<b>Total Net Assets</b>	<b>\$ 184,235,459</b>	<b>\$ 202,703,559</b>	<b>\$ (18,468,100)</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Assets**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 5,187,281	\$ 5,215,146	\$ (27,865)
Operating grants and contributions	77,748,102	90,107,950	(12,359,848)
Capital grants and contributions	29,324	51,857	(22,533)
General revenues			
Property taxes	118,636,409	119,081,231	(444,822)
Unrestricted federal and state aid	121,128,171	119,423,588	1,704,583
Other	5,031,210	5,556,662	(525,452)
<b>Total Revenues</b>	<b>327,760,497</b>	<b>339,436,434</b>	<b>(11,675,937)</b>
<b>EXPENSES</b>			
Instruction	194,548,064	186,187,557	8,360,507
Instruction-related services	35,071,437	34,216,575	854,862
Pupil services	38,461,228	33,205,574	5,255,654
General administration	10,997,948	11,087,453	(89,505)
Plant services	43,097,406	43,271,927	(174,521)
Ancillary and community services	2,081,105	1,537,291	543,814
Other outgo including debt service	21,971,409	20,199,568	1,771,841
<b>Total Expenses</b>	<b>346,228,597</b>	<b>329,705,945</b>	<b>16,522,652</b>
<b>Change in net assets</b>	<b>(18,468,100)</b>	<b>9,730,489</b>	<b>(28,198,589)</b>
<b>Net Assets - Beginning</b>	<b>202,703,559</b>	<b>192,973,070</b>	<b>9,730,489</b>
<b>Net Assets - Ending</b>	<b>\$ 184,235,459</b>	<b>\$ 202,703,559</b>	<b>\$ (18,468,100)</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$283,638,278, which is more than last year's ending fund balance of \$218,538,522. The District's General Fund had \$1,040,842 less in operating revenues than expenditures for the year ended June 30, 2012.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**CURRENT YEAR BUDGET 2011-12**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2011-12 the District had invested \$458,489,266 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 14,436,462	\$ 14,436,462	\$ -
Construction in progress	79,294,863	13,613,950	65,680,913
Land improvements	23,805,205	23,153,547	651,658
Buildings & improvements	517,664,970	511,164,488	6,500,482
Furniture & equipment	17,152,592	17,133,169	19,423
Accumulated depreciation	(193,864,826)	(178,760,737)	(15,104,089)
<b>Total Capital Assets</b>	<b>\$ 458,489,266</b>	<b>\$ 400,740,879</b>	<b>\$ 57,748,387</b>

**Long-Term Debt**

At year-end, the District had \$558,632,118 in long-term debt, an increase of \$144,469,932 from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 495,165,914	\$ 331,297,071	\$ 163,868,843
Mello-Roos bonds	33,807,629	56,424,663	(22,617,034)
Capital leases	1,063,245	1,239,634	(176,389)
Compensated absences	3,006,742	3,042,481	(35,739)
Construction loan	5,309,391	5,439,570	(130,179)
Net OPEB obligation	20,279,197	16,718,767	3,560,430
<b>Total Long-term Liabilities</b>	<b>\$ 558,632,118</b>	<b>\$ 414,162,186</b>	<b>\$ 144,469,932</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and another tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 spending will remain flat at roughly the 2011-12 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private schools, parochial schools, charter schools, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2012-13 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at Mount Diablo Unified School District, 1936 Carlotta Drive, Concord, California, 94519.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 236,123,289
Investments	19,688,423
Accounts receivable	55,649,134
Inventory	447,060
Deferred charges	5,072,449
Capital assets, not depreciated	93,731,325
Capital assets, net of accumulated depreciation	364,757,941
<b>Total Assets</b>	<b>775,469,621</b>
<b>LIABILITIES</b>	
Accrued liabilities	30,696,937
Deferred revenue	1,905,107
Long-term liabilities, current portion	12,308,271
Long-term liabilities, non-current portion	546,323,847
<b>Total Liabilities</b>	<b>591,234,162</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	150,680,893
Restricted for	
Capital projects	3,513,919
Debt service	5,082,985
Educational programs	13,357,436
Other purposes	3,223,119
Unrestricted	8,377,107
<b>Total Net Assets</b>	<b>\$ 184,235,459</b>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 194,548,064	\$ 41,705	\$ 43,690,521	\$ 29,324	\$ (150,786,514)
Instruction-related services					
Instructional supervision and administration	11,655,791	2,356	5,473,760	-	(6,179,675)
Instructional library, media, and technology	3,060,306	3,957	327,318	-	(2,729,031)
School site administration	20,355,340	1,245	571,014	-	(19,783,081)
Pupil services					
Home-to-school transportation	9,616,152	221,370	2,895,083	-	(6,499,699)
Food services	11,413,374	3,482,260	7,092,190	-	(838,924)
All other pupil services	17,431,702	45,507	5,411,534	-	(11,974,661)
General administration					
Centralized data processing	2,790,292	-	96,434	-	(2,693,858)
All other general administration	8,207,656	171,125	2,276,917	-	(5,759,614)
Plant services	43,097,406	1,186,443	9,224,719	-	(32,686,244)
Ancillary services	1,487,306	18,797	168,925	-	(1,299,584)
Community services	593,799	10	335,712	-	(258,077)
Enterprise activities	61,498	38	343	-	(61,117)
Interest on long-term debt	23,459,302	-	-	-	(23,459,302)
Other outgo	(1,549,391)	12,468	183,632	-	1,745,491
<b>Total Governmental Activities</b>	<b>\$ 346,228,597</b>	<b>\$ 5,187,281</b>	<b>\$ 77,748,102</b>	<b>\$ 29,324</b>	<b>(263,263,890)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					92,796,056
Property taxes, levied for debt service					25,280,268
Property taxes, levied for other specific purposes					560,085
Federal and state aid not restricted for specific purposes					121,128,171
Interest and investment earnings					321,608
Miscellaneous					4,709,602
<b>Subtotal, General Revenue</b>					<b>244,795,790</b>
<b>CHANGE IN NET ASSETS</b>					<b>(18,468,100)</b>
<b>Net Assets - Beginning</b>					<b>202,703,559</b>
<b>Net Assets - Ending</b>					<b>\$ 184,235,459</b>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,113,352	\$ 186,149,430	\$ 24,439,270	\$ 7,421,237	\$ 236,123,289
Investments	1,465,591	-	-	18,222,832	19,688,423
Accounts receivable	52,899,820	462,238	9,170	2,277,906	55,649,134
Due from other funds	3,584,571	105,131	-	3,165,993	6,855,695
Stores inventory	422,007	-	-	25,053	447,060
<b>Total Assets</b>	<b>\$ 76,485,341</b>	<b>\$ 186,716,799</b>	<b>\$ 24,448,440</b>	<b>\$ 31,113,021</b>	<b>\$ 318,763,601</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 17,628,313	\$ 7,994,594	\$ -	\$ 741,605	\$ 26,364,512
Due to other funds	3,268,452	8,476	-	3,578,776	6,855,704
Deferred revenue	1,905,107	-	-	-	1,905,107
<b>Total Liabilities</b>	<b>22,801,872</b>	<b>8,003,070</b>	<b>-</b>	<b>4,320,381</b>	<b>35,125,323</b>
<b>FUND BALANCES</b>					
Nonspendable	727,007	-	-	25,054	752,061
Restricted	11,986,825	178,713,729	24,448,440	24,748,376	239,897,370
Committed	-	-	-	2,019,210	2,019,210
Assigned	8,583,503	-	-	-	8,583,503
Unassigned	32,386,134	-	-	-	32,386,134
<b>Total Fund Balances</b>	<b>53,683,469</b>	<b>178,713,729</b>	<b>24,448,440</b>	<b>26,792,640</b>	<b>283,638,278</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 76,485,341</b>	<b>\$ 186,716,799</b>	<b>\$ 24,448,440</b>	<b>\$ 31,113,021</b>	<b>\$ 318,763,601</b>

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



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET ASSETS  
JUNE 30, 2012**

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**Total Fund Balance - Governmental Funds** \$ 283,638,278

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 652,354,092	
Accumulated depreciation	(193,864,826)	458,489,266

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:

5,072,449

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(4,332,416)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 495,165,914	
Total Mello-Roos bonds	33,807,629	
Capital leases	1,063,245	
Compensated absences	3,006,742	
Construction loan	5,309,391	
Net OPEB obligation	20,279,197	(558,632,118)

**Total Net Assets - Governmental Activities** \$ 184,235,459

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue limit sources					
State aid	\$ 78,758,388	\$ -	\$ -	\$ -	\$ 78,758,388
Local sources	92,796,056	-	-	-	92,796,056
Transfers	(559,736)	-	-	600,000	40,264
Federal sources	22,966,174	-	-	8,832,660	31,798,834
Other state sources	74,463,149	-	217,252	713,663	75,394,064
Other local sources	14,937,851	306,429	20,551,319	13,177,292	48,972,891
<b>Total Revenues</b>	<b>283,361,882</b>	<b>306,429</b>	<b>20,768,571</b>	<b>23,323,615</b>	<b>327,760,497</b>
<b>EXPENDITURES</b>					
Current					
Instruction	188,973,943	-	-	3,215,239	192,189,182
Instruction-related services					
Instructional supervision and administration	11,042,636	-	-	500,395	11,543,031
Instructional library, media, and technology	2,919,298	-	-	88,593	3,007,891
School site administration	18,618,835	-	-	1,520,541	20,139,376
Pupil services					
Home-to-school transportation	10,982,450	-	-	-	10,982,450
Food services	758	-	-	11,314,681	11,315,439
All other pupil services	17,251,623	-	-	11,661	17,263,284
General administration					
Centralized data processing	2,754,041	-	-	-	2,754,041
All other general administration	7,419,952	-	-	753,010	8,172,962
Plant services	21,919,722	-	-	2,840,274	24,759,996
Facilities acquisition and maintenance	31,539	72,730,191	-	1,524,477	74,286,207
Ancillary services	1,487,302	-	-	-	1,487,302
Community services	573,208	-	-	6,515	579,723
Enterprise activities	61,498	-	-	-	61,498
Transfers to other agencies	155,927	-	-	-	155,927
Debt service					
Principal	176,389	-	9,830,000	22,755,179	32,761,568
Interest and other	33,603	850,611	19,168,344	2,464,082	22,516,640
<b>Total Expenditures</b>	<b>284,402,724</b>	<b>73,580,802</b>	<b>28,998,344</b>	<b>46,994,647</b>	<b>433,976,517</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,040,842)</b>	<b>(73,274,373)</b>	<b>(8,229,773)</b>	<b>(23,671,032)</b>	<b>(106,216,020)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	869,980	1,333	4,809,670	5,680,983
Other Sources	-	149,995,000	108,585,776	-	258,580,776
Transfers Out	(3,999,670)	(1,333)	(869,980)	(810,000)	(5,680,983)
Other Uses	-	-	(87,265,000)	-	(87,265,000)
<b>Net Financing Sources (Uses)</b>	<b>(3,999,670)</b>	<b>150,863,647</b>	<b>20,452,129</b>	<b>3,999,670</b>	<b>171,315,776</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,040,512)</b>	<b>77,589,274</b>	<b>12,222,356</b>	<b>(19,671,362)</b>	<b>65,099,756</b>
<b>Fund Balance - Beginning</b>	<b>58,723,981</b>	<b>101,124,455</b>	<b>12,226,084</b>	<b>46,464,002</b>	<b>218,538,522</b>
<b>Fund Balance - Ending</b>	<b>\$ 53,683,469</b>	<b>\$ 178,713,729</b>	<b>\$ 24,448,440</b>	<b>\$ 26,792,640</b>	<b>\$ 283,638,278</b>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Net Change in Fund Balances - Governmental Funds** \$ 65,099,756

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 74,906,901	
Depreciation expense:	<u>(17,158,514)</u>	57,748,387

Debt service:

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

120,026,568

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(258,580,776)

Debt issue costs:

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

Issue costs incurred during the period:	\$ 1,225,067	
Issue costs amortized for the period:	<u>(661,537)</u>	563,530

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 2,590,159

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (3,088,114)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 35,739

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (3,560,430)

Amortization of debt issue premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 697,081

**Change in Net Assets of Governmental Activities** \$ (18,468,100)

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2012**

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	<u>Trust Fund</u>	<u>Agency Fund</u>
	<u>Private-Purpose</u>	<u>Student Body</u>
	<u>Trust Fund</u>	<u>Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,405	\$ 1,313,703
Investments	45,000	-
Accounts receivable	5	-
Due from other funds	9	-
<b>Total Assets</b>	<u>50,419</u>	<u>\$ 1,313,703</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 1,313,703
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 1,313,703</u>
<b>NET ASSETS</b>		
Unrestricted	50,419	
<b>Total Net Assets</b>	<u>\$ 50,419</u>	

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012**

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	<u>Trust Fund</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 2,046
<b>Total Additions</b>	<u>2,046</u>
<b>DEDUCTIONS</b>	
Other trust activities	<u>1,500</u>
<b>Total Deductions</b>	<u>1,500</u>
<b>CHANGE IN NET ASSETS</b>	546
<b>Net Assets - Beginning</b>	<u>49,873</u>
<b>Net Assets - Ending</b>	<u>\$ 50,419</u>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**A. Financial Reporting Entity**

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete.

The District and Mount Diablo Unified School District Education Facilities Financing Corporation (the Corporation) have a financial and operational relationship that meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the financial statements of the District.

The District’s reporting entity excludes Eagle Peak Montessori Charter School, a non-profit benefit corporation in the District’s attendance area with a separate Board of Directors.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Major Governmental Funds

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b]* and *52501.5[a]*).

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091* and *38100*).

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Special Revenue Funds** (*continued*)

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

**Capital Projects Fund for Blended Component Units:** This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Debt Service Fund for Blended Component Units:** This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Foundation Private-Purpose Trust Fund:** This fund is used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

**Government-Wide and Fiduciary Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

All governmental-type activities of the District follow the FASB and AICPA pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus (continued)**

**Governmental Funds**

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.

**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. On a 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts 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 the 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 potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus (continued)**

**Expenses/Expenditures**

On the 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.

**E. Assets, Liabilities, Fund Balance and Net Assets**

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

**Investments**

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. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities, Fund Balance and Net Assets (continued)**

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Land site improvements and buildings purchased or acquired with an original cost of \$25,000 or more, and equipment purchased or acquired with an original cost of \$10,000 or more, are recorded at historical cost or estimated historical cost. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	30 years
Furniture and Equipment	5-20 years
Vehicles	8 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net assets.

**Compensated Absences**

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities, Fund Balance and Net Assets (continued)**

**Accrued Liabilities and Long-Term Obligations**

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

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

**Deferred Issuance Costs, Premiums, and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities, Fund Balance and Net Assets (continued)**

**Fund Balance (continued)**

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**F. Interfund Activity**

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



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**H. Budgetary Data**

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

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

**I. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2012**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Total</b>	
	<b>Governmental</b>	<b>Fiduciary</b>
	<b>Activities</b>	<b>Funds</b>
	<hr/>	<hr/>
Cash in county	\$ 233,038,265	\$ 5,405
Cash on hand and in banks	2,736,345	1,358,703
Cash with fiscal agent	43,679	-
Cash in revolving fund	305,000	-
<b>Total cash and cash equivalents</b>	<hr/> <b>\$ 236,123,289</b> <hr/>	<hr/> <b>\$ 1,364,108</b> <hr/>
 Investments	 <hr/> <b>\$ 19,688,423</b> <hr/>	 <hr/> <b>\$ 45,000</b> <hr/>

**B. Policies and Practices**

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

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Contra Costa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Local Agency Investment Fund** - The District is considered to be a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the County Office’s investment in the pool is reported in the accompanying financial statement at amounts based upon the County Office’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the LAIF, which is recorded on the amortized cost basis.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**B. Policies and Practices (continued)**

**California Asset Management Program** - The District places funds with the California Asset Management Program (CAMP), a California Joint Powers Authority. CAMP provides California public agencies with comprehensive investment management and accounting services. CAMP currently offers its shareholders both the California Asset Management Trust Cash Reserve Portfolio and individually managed portfolios. The District has an individually managed portfolio under a separate agreement with PFM Asset Management, LLC.

**Cash with Fiscal Agent** – Cash with Fiscal Agent represents treasury money market funds held by trustee Wells Fargo. The funds are restricted for debt repayment.

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$233,245,483 and an amortized book value of \$233,043,670. The average weighted maturity for this pool is 178 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2012, the investment with the Contra Costa County Investment Pool is rated AAAf/S1+ by Standard & Poor's. The investments within the Local Agency Investment Fund are rated at least BBB. The investment with the California Asset Management Program is rated AAAM.

**F. 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. 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 deposits. As of June 30, 2012, the District's bank balance was not exposed to custodial credit risk.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2012 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest &amp; Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Total Fiduciary</u>
Federal Government						
Categorical aid	\$ 2,946,169	\$ -	\$ -	\$ 1,895,294	\$ 4,841,463	\$ -
State Government						
Apportionment	37,573,329	-	-	-	37,573,329	-
Categorical aid	9,594,061	-	-	255,766	9,849,827	-
Lottery	400,100	-	-	-	400,100	-
Local Government						
Other Local Sources	2,386,161	462,238	9,170	126,846	2,984,415	5
<b>Total</b>	<b>\$ 52,899,820</b>	<b>\$ 462,238</b>	<b>\$ 9,170</b>	<b>\$ 2,277,906</b>	<b>\$ 55,649,134</b>	<b>\$ 5</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance July 01, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Construction in progress	13,613,950	72,833,053	7,152,140	79,294,863
Total Capital Assets not Being Depreciated	28,050,412	72,833,053	7,152,140	93,731,325
Capital assets being depreciated				
Land improvements	23,153,547	651,658	-	23,805,205
Buildings & improvements	511,164,488	6,500,482	-	517,664,970
Furniture & equipment	17,133,169	2,073,848	2,054,425	17,152,592
Total Capital Assets Being Depreciated	551,451,204	9,225,988	2,054,425	558,622,767
Less Accumulated Depreciation				
Land improvements	2,693,151	795,433	-	3,488,584
Buildings & improvements	161,479,107	15,651,282	-	177,130,389
Furniture & equipment	14,588,479	711,799	2,054,425	13,245,853
Total Accumulated Depreciation	178,760,737	17,158,514	2,054,425	193,864,826
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 400,740,879</b>	<b>\$ 64,900,527</b>	<b>\$ 7,152,140</b>	<b>\$ 458,489,266</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 4 – CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions in the governmental activities as follows:

Instruction	\$	9,859
Instruction-related services		7,888
Pupil services		481,565
General administration		59,969
Plant services		16,599,233
Total	\$	<u>17,158,514</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Major Funds:</b>		
General Fund	\$ 3,584,571	\$ 3,268,452
Building Fund	105,131	8,476
<b>Non-Major Funds:</b>		
Adult Education Fund	2,286,193	2,629,535
Cafeteria Fund	642,512	900,517
Deferred Maintenance Fund	200,354	-
Capital Facilities Fund	2,756	-
County School Facilities Fund	7,389	5,361
Capital Projects Fund for Blended Component Units	26,789	43,363
<b>Fiduciary Funds:</b>		
Private-Purpose Trust Fund	9	-
<b>Total</b>	<u>\$ 6,855,704</u>	<u>\$ 6,855,704</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

**NOTE 5 – INTERFUND TRANSACTIONS (continued)**

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Interfund Transfers Out	Interfund Transfers In				Total
	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds		
General Fund	\$ -	\$ -	\$ 3,999,670	\$	3,999,670
Building Fund	-	1,333	-		1,333
Bond Interest and Redemption Fund	869,980	-	-		869,980
Non-Major Governmental Funds	-	-	810,000		810,000
<b>Total Interfund Transfers</b>	<b>\$ 869,980</b>	<b>\$ 1,333</b>	<b>\$ 4,809,670</b>	<b>\$</b>	<b>5,680,983</b>

Transfer from General Fund to Adult Education Fund for adult education's share of lottery revenue and Tier III adult education funds	\$	3,783,582
Transfer from General Fund to Adult Education Fund for Income from Chabot-Las Positas Community Development Partnership		16,088
Transfer from General Fund to Deferred Maintenance Fund for Tier III deferred maintenance funds		200,000
Transfer from Bond Interest and Redemption Fund to Building Fund for prepayment of 1998 debt		869,980
Transfer from Debt Services Fund for Blended Component Units to Capital Projects Fund for Blended Component Units for debt prepayment		810,000
Transfer from Building Fund to Bond Interest and Redemption Fund to return excess		1,333
<b>Total</b>	<b>\$</b>	<b>5,680,983</b>

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental		Total Governmental
			Funds	District-Wide	
Payroll	\$ 2,068,355	\$ 25,237	\$ 237,001	\$ -	\$ 2,330,593
Construction	-	7,968,728	338,132	-	8,306,860
Vendors payable	15,555,972	-	166,395	-	15,722,367
Unmatured interest	-	-	-	4,332,425	4,332,425
Other liabilities	3,986	629	77	-	4,692
<b>Total</b>	<b>\$ 17,628,313</b>	<b>\$ 7,994,594</b>	<b>\$ 741,605</b>	<b>\$ 4,332,425</b>	<b>\$ 30,696,937</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2012**

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**NOTE 7 – DEFERRED REVENUE**

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2012, consisted of the following:

	<b>General Fund</b>	<b>Total Governmental Activities</b>
Federal sources	\$ 1,790,839	\$ 1,790,839
State categorical sources	7,693	7,693
Local deferrals	106,575	106,575
<b>Total</b>	<b>\$ 1,905,107</b>	<b>\$ 1,905,107</b>



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2012 consisted of the following:

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds					
Series 2002	\$ 1,785,000	\$ -	\$ 1,785,000	\$ -	\$ -
Series 2005	102,450,000	-	90,830,000	11,620,000	3,720,000
Series 2006	58,090,000	-	1,085,000	57,005,000	1,430,000
Series 2010	120,995,057	149,995,000	1,685,000	269,305,057	5,000
Series 2011 Refunding	37,790,000	-	1,710,000	36,080,000	1,900,000
Series B Refunding	-	43,700,000	-	43,700,000	1,205,000
Series B-2 Refunding	-	40,540,000	-	40,540,000	585,000
Unamortized premium	8,969,868	24,345,776	2,050,547	31,265,097	738,474
Accreted interest	2,562,646	3,088,114	-	5,650,760	-
Deferred amount on refunding	(1,345,500)	-	(1,345,500)	-	-
<b>Total general obligation bonds</b>	<b>331,297,071</b>	<b>261,668,890</b>	<b>97,800,047</b>	<b>495,165,914</b>	<b>9,583,474</b>
Mello-Roos bonds					
Series 2002	20,160,000	-	20,160,000	-	-
Series 2005	13,130,000	-	565,000	12,565,000	580,000
Series 2006	23,155,000	-	1,900,000	21,255,000	1,965,000
Unamortized discount	(20,337)	-	(7,966)	(12,371)	(1,584)
<b>Total Mello-Roos bonds</b>	<b>56,424,663</b>	<b>-</b>	<b>22,617,034</b>	<b>33,807,629</b>	<b>2,543,416</b>
Capital leases	1,239,634	-	176,389	1,063,245	181,381
Compensated absences	3,042,481	-	35,739	3,006,742	-
Construction loan	5,439,570	-	130,179	5,309,391	-
Net OPEB obligation	16,718,767	3,560,430	-	20,279,197	-
<b>Total</b>	<b>\$ 414,162,186</b>	<b>\$ 265,229,320</b>	<b>\$ 120,759,388</b>	<b>\$ 558,632,118</b>	<b>\$ 12,308,271</b>

Payments on the Mello-Roos Bonds are made from the Debt Service Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the construction loan are made from the Capital Facilities Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments on Post-Employment Healthcare benefits and compensated absences are made from the fund for which the related employee worked.

**A. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2012 amounted to \$3,006,742. This amount is included as part of long-term liabilities in the government-wide financial statements.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**B. Mello-Roos Measure “A” Bonds**

In a general election held on November 7, 1989, voters approved, under Measure “A”, a \$90,000,000 Mello-Roos Bond issue.

On June 20, 2002, the District issued Series 2002 Measure “A” Bonds totaling \$29,000,000. A portion of the bond proceeds were being invested to be used to retire the series 1992 Measure “A” Bonds during the year ended June 30, 2003. Repayment of the 2002 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 1.75% to 5.00% and are scheduled to mature through 2022. The District refunded the bonds during the year ended June 30, 2012.

On June 30, 2005, the District issued Series 2005 Measure “A” Bonds totaling \$15,760,000. A portion of the bond proceeds were being invested to be used to retire the series 1995 Measure “A” Bonds during the year ended June 30, 2007. Repayment of the 2005 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.00% to 4.20% and are scheduled to mature through 2025. The principal balance as of June 30, 2012 was \$12,565,000.

On June 14, 2006, the District issued Series 2006 Special Tax Refunding Bonds totaling \$29,995,000. A portion of the bond proceeds were being invested to be used to retire the series 1996 Measure “A” Bonds during the year ended June 30, 2007. Repayment of the 2006 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.625% to 4.500% and are scheduled to mature through 2027. The principal balance as of June 30, 2012 was \$21,255,000.

The Series 2005 and Series 2006 Measure “A” Bonds are scheduled to mature as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 2,545,000	\$ 1,286,754	\$ 3,831,754
2014	2,640,000	1,192,848	3,832,848
2015	2,745,000	1,094,561	3,839,561
2016	2,840,000	990,466	3,830,466
2017	2,950,000	879,050	3,829,050
2018 - 2022	14,525,000	2,531,950	17,056,950
2023 - 2027	5,575,000	411,425	5,986,425
<b>Total</b>	<b>\$ 33,820,000</b>	<b>\$ 8,387,054</b>	<b>\$ 42,207,054</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. General Obligation Bonds**

**2002 Election Measure C**

In a general election held on March 5, 2002, voters approved, under Measure “C”, a \$250,000,000 General Obligation Bond issue.

On June 20, 2002, the District issued Series 2002 Measure “C” Bonds totaling \$69,400,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 3.25% to 5.00% and are scheduled to mature through 2026. The District made the final principal payment during the year ended June 30, 2012.

On June 10, 2004, the District issued Series 2005 Measure “C” Bonds totaling \$121,000,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 3.00% to 5.625% and are scheduled to mature through 2030. The bonds were partially refunded during the year ended June 30, 2012. The principal balance outstanding as of June 30, 2012 is \$11,620,000.

On May 11, 2006, the District issued Series 2006 Measure “C” Bonds totaling \$59,600,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2031. The principal balance as of June 30, 2012 is \$57,005,000.

The Series 2005 and 2006 Measure “C” Bonds are scheduled to mature as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 5,150,000	\$ 3,051,696	\$ 8,201,696
2014	5,335,000	3,055,461	8,390,461
2015	5,010,000	2,788,711	7,798,711
2016	1,020,000	2,580,818	3,600,818
2017	1,115,000	2,537,468	3,652,468
2018 - 2022	6,140,000	11,930,625	18,070,625
2023 - 2027	9,160,000	10,579,500	19,739,500
2028 - 2031	35,695,000	5,318,000	41,013,000
<b>Total</b>	<b>\$ 68,625,000</b>	<b>\$ 41,842,279</b>	<b>\$ 110,467,279</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. General Obligation Bonds (continued)**

**2010 Election Measure C**

In a general election held on June 8, 2010, voters approved, under Measure “C”, a \$348,000,000 General Obligation Bond issue.

On September 22, 2010, two election 2010 general obligation bonds were issued. The Series A general obligation bond was issued for an aggregate principal amount of \$50,456,475 and consists of current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds. The Series B general obligation bond was issued for an aggregate principal amount of \$59,540,000 and consists of current interest bonds. The bonds have stated interest rates of 1.689% to 5.702% and mature on August 1, 2035 and August 1, 2027, respectively. The principal balance excluding accreted interest as of June 30, 2012 is \$50,456,475 and \$57,855,000, respectively.

On March 29, 2011, two additional election 2010 general obligation bonds were issued. The Series C general obligation bond was issued for an aggregate principal amount of \$3,865,000 and consists of current interest bonds with stated interest rates of 2.0% to 5.4%. The Series D general obligation bond was issued for an aggregate principal amount of \$10,998,582 and consists of current interest bonds and capital appreciation bonds. The bonds have stated interest rates of 5.0% to 5.5% and rates of accretion ranging from 9.8% to 11.999% and mature on August 1, 2025 and August 1, 2031, respectively. The principal balance excluding accreted interest as of June 30, 2012 is \$3,865,000 and \$7,133,582, respectively.

On May 30, 2012, an additional election 2010 general obligation bond was issued (Series E). The Series E general obligation bond was issued for an aggregate principal amount of \$149,995,000 and consists of current interest bonds with stated interest rates of 0.30% to 5.0%. The principal balance as of June 30, 2012 is \$149,995,000.

The Election 2010 of Series A, B, C, D and E Measure “C” Bonds are scheduled to mature as follows:

<b>Year Ended June 30,</b>	<b>Principal*</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 5,000	\$ 3,509,592	\$ 3,514,592
2014	7,105,000	10,669,660	17,774,660
2015	5,830,000	9,899,727	15,729,727
2016	4,122,272	10,025,390	14,147,662
2017	3,192,351	9,978,580	13,170,931
2018 - 2022	31,969,773	49,787,388	81,757,161
2023 - 2027	49,988,534	63,922,993	113,911,527
2028 - 2032	72,961,123	74,555,969	147,517,092
2033 - 2037	94,131,004	28,145,592	122,276,596
<b>Total</b>	<b>\$ 269,305,057</b>	<b>\$ 260,494,891</b>	<b>\$ 529,799,948</b>

\* Excludes accreted interest of \$5,650,760 as of June 30, 2012.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. General Obligation Bonds (continued)**

**2011 Refunding General Obligation Bond**

On June 7, 2011, the District issued Series 2011 General Obligation Refunding Bonds for an aggregate amount of \$37,790,000, consisting of current interest bonds bearing fixed interest rates ranging from 2.0% to 5.0% with a maturity date of August 1, 2026. The net proceeds of \$40,615,500 (after issuance costs of \$416,764, plus premium of \$3,242,264) were used to refund a portion of the District’s Election 2002, Series 2002 general obligation bonds and to pay certain costs of issuance associated with the Refunding Bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District’s liabilities.

The 2011 Refunding General Obligation Bonds are scheduled to mature as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,900,000	\$ 1,572,238	\$ 3,472,238
2014	1,955,000	1,515,488	3,470,488
2015	2,025,000	1,447,588	3,472,588
2016	2,085,000	1,377,238	3,462,238
2017	2,165,000	1,299,388	3,464,388
2018 - 2022	10,915,000	5,122,088	16,037,088
2023 - 2027	15,035,000	2,306,500	17,341,500
<b>Total</b>	<b>\$ 36,080,000</b>	<b>\$ 14,640,528</b>	<b>\$ 50,720,528</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. General Obligation Bonds (continued)**

**2012 Series B Refunding General Obligation Bond**

On November 30, 2011, the District issued Series B General Obligation Refunding Bonds for an aggregate amount of \$43,700,000, consisting of current interest bonds bearing fixed interest rates ranging from 2.0% to 5.0% with a maturity date of July 1, 2023. The net proceeds were used to refund a portion of the District's Election 2002, Series 2004 general obligation bonds and to pay certain costs of issuance associated with the Refunding Bonds.

The 2012 Series B Refunding General Obligation Bonds are scheduled to mature as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,205,000	\$ 1,012,678	\$ 2,217,678
2014	90,000	1,979,000	2,069,000
2015	90,000	1,976,300	2,066,300
2016	3,995,000	1,973,600	5,968,600
2017	4,150,000	1,813,800	5,963,800
2018 - 2022	23,355,000	6,084,800	29,439,800
2023 - 2024	10,815,000	817,250	11,632,250
<b>Total</b>	<b>\$ 43,700,000</b>	<b>\$ 15,657,428</b>	<b>\$ 59,357,428</b>

**2012 Series B-2 Refunding General Obligation Bond**

On November 30, 2011, the District issued Series B-2 General Obligation Refunding Bonds for an aggregate amount of \$40,540,000, consisting of current interest bonds bearing fixed interest rates ranging from 2.0% to 5.0% with a maturity date of July 1, 2029. The net proceeds were used to refund a portion of the District's Election 2002, Series 2004 general obligation bonds and to pay certain costs of issuance associated with the Refunding Bonds.

The 2012 Series B-2 Refunding General Obligation Bonds are scheduled to mature as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 585,000	\$ 469,718	\$ 1,054,718
2014	-	1,954,563	1,954,563
2015	-	1,954,562	1,954,562
2016	-	1,954,563	1,954,563
2017	-	1,954,562	1,954,562
2018 - 2022	-	9,772,815	9,772,815
2023 - 2027	18,550,000	8,897,561	27,447,561
2028 - 2030	21,405,000	2,126,187	23,531,187
<b>Total</b>	<b>\$ 40,540,000</b>	<b>\$ 29,084,531</b>	<b>\$ 69,624,531</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**D. Construction Loan**

In February 2003, the Redevelopment Agency of the City of Pittsburg made an interest-free loan of \$6,178,936 to the District. The loan is to be used for the construction of an elementary school within the City of Pittsburg. Beginning June 1, 2005, the District will pay 24% of all impact fees collected by the District in the City of Pittsburg after January 1, 2005. The District will continue to make payments equivalent to 24% of impact fees collected in the City every six months on June 1<sup>st</sup> and January 1<sup>st</sup> until June 1, 2040 or until the loan is paid off, whichever occurs first. The balance at June 30, 2012 is \$5,309,391.

**E. Capitalized Lease Obligations**

The District leases school buses under agreements which provide for title to pass upon expiration of the lease period.

Future yearly payments on capitalized lease obligations are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2013	\$ 209,993
2014	209,992
2015	209,992
2016	209,992
2017	209,992
2018	104,997
Total	<u>1,154,958</u>
Less: Amount representing interest	(91,715)
Present value of minimum lease payments	<u>\$ 1,063,243</u>

**F. Other Leases**

All other leases are treated as operating leases and are subject to annual appropriations and recorded as expenditures when paid.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2012:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
Non-spendable					
Revolving cash	\$ 305,000	\$ -	\$ -	\$ -	\$ 305,000
Stores inventory	422,007	-	-	25,054	447,061
Total non-spendable	727,007	-	-	25,054	752,061
Restricted					
Educational programs	11,986,825	-	-	-	11,986,825
Capital projects	-	178,713,729	-	11,929,247	190,642,976
Debt service	-	-	24,448,440	10,320,085	34,768,525
All others	-	-	-	2,499,044	2,499,044
Total restricted	11,986,825	178,713,729	24,448,440	24,748,376	239,897,370
Committed					
Adult education	-	-	-	1,370,610	1,370,610
Deferred maintenance	-	-	-	648,600	648,600
Total committed	-	-	-	2,019,210	2,019,210
Assigned					
Tier III programs and site carryovers	5,597,565	-	-	-	5,597,565
State fiscal uncertainty	2,985,938	-	-	-	2,985,938
Total assigned	8,583,503	-	-	-	8,583,503
Unassigned					
Reserve for economic uncertainties	5,658,787	-	-	-	5,658,787
Remaining unassigned	26,727,347	-	-	-	26,727,347
Total unassigned	32,386,134	-	-	-	32,386,134
<b>Total</b>	<b>\$ 53,683,469</b>	<b>\$ 178,713,729</b>	<b>\$ 24,448,440</b>	<b>\$ 26,792,640</b>	<b>\$ 283,638,278</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than two months of general fund operating expenditures, or 2 percent of General Fund expenditures and other financing uses.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2012**

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**NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description and Contribution Information**

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical and dental insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	1,034
Active plan members	3,306
Total*	<u>4,340</u>
 Number of participating employers	 1

\*As of May 1, 2008 actuarial study

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District and meet the age and service requirements for eligibility. The District offers subsidized health insurance until age 65.

**B. Funding Policy**

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2011-12, the District contributed \$4,578,751.

As of June 30, 2012, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 8,043,769
Interest on net OPEB obligation	835,938
Adjustment to annual required contribution	(740,526)
Annual OPEB cost (expense)	<u>8,139,181</u>
Contributions made	<u>(4,578,751)</u>
Increase (decrease) in net OPEB obligation	3,560,430
Net OPEB obligation, beginning of the year	16,718,767
Net OPEB obligation, end of the year	<u>\$ 20,279,197</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 8,139,181	56%	\$ 20,279,197
2011	\$ 8,116,185	50%	\$ 16,718,767
2010	\$ 8,091,904	47%	\$ 12,689,288

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2012**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**D. Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2008	\$ -	\$ 71,018,299	\$ 71,018,299	0%	\$ 191,822,548	37%

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

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	5/1/2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	27 years
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Health care trend rate	4.0%
Inflation rate	3.0%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2012**

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**NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS**

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

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 10,688,838	100%
2010-11	\$ 10,151,998	100%
2009-10	\$ 10,412,753	100%

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$5,500,622 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2012**

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**NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**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 Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, CA 95811.

**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 2012 was 10.923% of annual payroll. 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 4,529,773	100%
2010-11	\$ 4,389,951	100%
2009-10	\$ 4,359,337	100%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

**C. Construction Commitments**

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of \$28,705,588.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012**

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**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in four joint powers agreement (JPA) entities, the CSAC Excess Insurance Authority (CSAC-EIA), Schools Excess Liability Fund, (SELF), the Schools' Self Insurance of Contra Costa County (SSICCC), and the School Project for Utility Rate Reduction (SPURR).

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the District and the JPAs are such that none of the three JPAs is a component unit of the District for financial reporting purposes. Current financial information for CSAC-EIA, SELF, SSICCC, and SPURR can be obtained by contacting each JPA's management.

**NOTE 14 – SELF-INSURANCE**

The District is self-insured for property and liability claims up to \$100,000 per property loss and \$100,000 per liability claim. Liability claims in excess of \$100,000 and up to \$900,000 are covered by a commercial insurance policy. The District liability claims in excess of \$1,000,000 are covered by SELF (See Note 13). Property claims in excess of \$100,000 are covered by a commercial insurance policy up to \$149,000,000. All activity for the District's Self-Insurance Account is included in the General Fund.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 172,676,205	\$ 171,083,964	\$ 170,994,708	\$ (89,256)
Federal sources	20,338,017	29,538,326	22,966,174	(6,572,152)
Other State sources	70,074,257	67,748,604	69,042,538	1,293,934
Other local sources	7,306,953	13,010,698	14,937,851	1,927,153
<b>Total Revenues</b>	<b>270,395,432</b>	<b>281,381,592</b>	<b>277,941,271</b>	<b>(3,440,321)</b>
<b>EXPENDITURES</b>				
Certificated salaries	124,363,411	132,370,161	132,286,895	83,266
Classified salaries	37,613,887	40,039,240	41,090,055	(1,050,815)
Employee benefits	55,273,901	56,898,729	53,938,880	2,959,849
Books and supplies	12,996,275	18,591,816	11,032,808	7,559,008
Services and other operating expenditures	38,159,783	45,393,099	38,878,535	6,514,564
Capital outlay	152,817	2,171,807	2,067,978	103,829
Other outgo				
Excluding transfers of indirect costs	1,215,293	372,393	365,919	6,474
Transfers of indirect costs	(679,198)	(663,413)	(678,957)	15,544
<b>Total Expenditures</b>	<b>269,096,169</b>	<b>295,173,832</b>	<b>278,982,113</b>	<b>16,191,719</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>1,299,263</b>	<b>(13,792,240)</b>	<b>(1,040,842)</b>	<b>12,751,398</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(3,904,687)	(4,042,929)	(3,999,670)	43,259
<b>Net Financing Sources (Uses)</b>	<b>(3,904,687)</b>	<b>(4,042,929)</b>	<b>(3,999,670)</b>	<b>43,259</b>
<b>NET CHANGE IN FUND BALANCE</b>				
<b>Fund Balance - Beginning</b>	<b>58,723,981</b>	<b>58,723,981</b>	<b>58,723,981</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 56,118,557</b>	<b>\$ 40,888,812</b>	<b>\$ 53,683,469</b>	<b>\$ 12,794,657</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$5,500,622 for CalSTRS are not included in the actual revenues and expenditures reported in this schedule.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2012**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
May 1, 2008	\$ -	\$ 71,018,299	\$ 71,018,299	0%	\$ 191,822,548	37%

See accompanying note to required supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District’s budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2012, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Classified salaries	\$ 40,039,240	\$ 41,090,055	\$ 1,050,815

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**SUPPLEMENTARY  
INFORMATION**

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, School Improvement SAIT	84.010	14416	\$ 555,955
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	5,952,792
ARRA - Title I - Part A	84.389	15005	265
Subtotal Title I, Part A Cluster			6,509,012
ARRA - Title I, School Improvement Grant	84.388	15004	3,263,120
Adult Education: Adult Secondary Education	84.002A	13978	55,167
Adult Education: English Literacy and Civics Education	84.002A	14109	171,181
Adult Education: Adult Basic Education and ESL	84.002A	14508	357,490
Title II, Part A, Teacher Quality	84.367A	14341	971,853
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,200,454
Title IV, Part A, Drug-Free Schools	84.186	14347	86
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	694,811
Department of Rehab: Workability II, Transition Partnership	84.158	10006	11,312
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	6,501,502
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	803,884
Part B, Preschool Grants	84.173	13430	237,485
IDEA State Improvement Grant, Improving Special Ed Systems	84.323	14577	890
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	332,006
Basic Local Assistance Entitlement, Part B, Private Schools ISPs	84.027	10015	46,680
Special Ed: Alternative Dispute Resolution	84.027	13007	15,000
2011-2012 State Performance Plan Facilitated Review Grant	84.027	*	23,723
Preschool Staff Development	84.173A	13431	1,713
Subtotal Special Education Cluster			7,962,883
IDEA Early Intervention Grants	84.181	23761	161,463
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	257,846
Title X, McKinney-Vento Homeless Assistance	84.196	14332	25,793
Education Jobs Fund	84.410	25152	94,474
Pell Grants	84.063	N/A	362,149
Safe and Supportive Schools	84.184	*	97,243
Teaching American History	84.215X	*	371,618
<b>Total U. S. Department of Education</b>			<b>22,567,955</b>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	75,900
Especially Needy Breakfast	10.553	13526	1,458,793
National School Lunch Program	10.555	13391	5,414,976
Special Milk Program for Children	10.556	13392	291,341
Subtotal Child Nutrition Cluster			7,241,010
USDA Commodities	10.558	13389	561,770
Nutrition Network	10.574	*	238,905
<b>Total U. S. Department of Agriculture</b>			<b>8,041,685</b>
U. S. DEPARTMENT OF DEFENSE			
J.R.O.T.C **	12.030	N/A	290,210
<b>Total U. S. Department of Defense</b>			<b>290,210</b>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
CalSERVES After School Program	94.006	*	50,558
<b>Total Corporation for National and Community Service</b>			<b>50,558</b>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	899,132
Medi-Cal Administrative Activities (MAA)	93.778	10060	473,585
<b>Total U. S. Department of Health &amp; Human Services</b>			1,372,717
<b>Total Federal Expenditures</b>			<b>\$ 32,323,125</b>

\* - PCS Number not available or not applicable.  
\*\* - Includes \$159,882 in district matching fund expenditures.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2012**

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	<b>Second Period Report</b>	<b>Annual Report</b>
<b>ELEMENTARY</b>		
Kindergarten	2,539	2,539
First through third	7,186	7,175
Fourth through sixth	7,112	7,111
Seventh through eighth	4,595	4,581
Community day school	8	5
Home and hospital	29	29
Special education	935	951
Total Elementary	22,404	22,391
<b>SECONDARY</b>		
Regular classes	8,945	8,820
Continuation education	481	430
Opportunity Schools	28	22
Community day school	13	11
Home and hospital	60	63
Special education	453	448
Total Secondary	9,980	9,794
Average Daily Attendance Total	32,384	32,185

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2012**

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Grade Level	1982-83		1986-87		2011-12	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced	Actual Minutes		
Kindergarten	31,680	29,568	36,000	33,600	36,000	180	Complied
Grade 1	48,840	45,584	50,400	47,040	51,840	180	Complied
Grade 2	48,840	45,584	50,400	47,040	51,840	180	Complied
Grade 3	48,840	45,584	50,400	47,040	51,840	180	Complied
Grade 4	52,120	48,645	54,000	50,400	55,800	180	Complied
Grade 5	52,120	48,645	54,000	50,400	55,800	180	Complied
Grade 6	52,120	48,645	54,000	50,400	58,380	180	Complied
Grade 7	56,700	52,920	54,000	50,400	58,380	180	Complied
Grade 8	56,700	52,920	54,000	50,400	58,380	180	Complied
Grade 9	56,060	52,323	64,800	60,480	65,284	180	Complied
Grade 10	56,060	52,323	64,800	60,480	64,284	180	Complied
Grade 11	56,060	52,323	64,800	60,480	65,284	180	Complied
Grade 12	56,060	52,323	64,800	60,480	65,284	180	Complied

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>2013 (Budget)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 262,445,929	\$ 277,941,271	\$ 300,499,650	\$ 270,489,648
Expenditures And Other Financing Uses	274,346,367	282,981,783	276,910,687	282,571,755
Net change in Fund Balance	\$ (11,900,438)	\$ (5,040,512)	\$ 23,588,963	\$ (12,082,107)
Ending Fund Balance	\$ 41,783,031	\$ 53,683,469	\$ 58,723,981	\$ 35,135,018
Available Reserves*	\$ 23,153,596	\$ 32,386,134	\$ 36,814,732	\$ 16,751,459
Available Reserves As A Percentage Of Outgo	8.44%	11.44%	13.29%	5.93%
Long-term Debt	\$ 546,323,847	\$ 558,632,118	\$ 414,162,186	\$ 306,749,792
Average Daily Attendance At P-2	30,336	32,384	32,501	32,609

The General Fund balance has increased by \$18,548,451 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$11,900,438. For a District this size, the State recommends available reserves of at least 2% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long term obligations have increased by \$251,882,326 over the past two years due to the issuance of the 2010 Measure C Construction Bonds.

Average daily attendance has decreased by 225 ADA over the past two years. A decrease in ADA is anticipated during the 2012-13 fiscal year and will be primarily due to the conversion of Clayton Valley High School to a charter, as approved by the Contra Costa County Office of Education.

\*Available reserves consist of all unassigned fund balance within the General Fund.

\*\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$5,500,622 for CalSTRS are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to supplementary information.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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*There were no adjustments necessary to reconcile ending fund balances from the annual financial and budget report to the audited financial statements.*

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2012**

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<b>Charter School</b>	<b>Included in Audit Report</b>
Eagle Peak Montessori Charter School	Not included

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 559,589	\$ 971,949	\$ 200,133	\$ 1,596,132	\$ 995,484	\$ 236,015	\$ 2,861,935	\$ 7,421,237
Investments	617,846	704,797	247,715	1,209,843	8,189,841	2,059,488	5,193,302	18,222,832
Accounts receivable	649,627	1,368,632	398	2,413	252,955	2,514	1,367	2,277,906
Due from other funds	2,286,193	642,512	200,354	2,756	7,389	26,789	-	3,165,993
Stores inventory	-	25,053	-	-	-	-	-	25,053
<b>Total Assets</b>	<b>\$ 4,113,255</b>	<b>\$ 3,712,943</b>	<b>\$ 648,600</b>	<b>\$ 2,811,144</b>	<b>\$ 9,445,669</b>	<b>\$ 2,324,806</b>	<b>\$ 8,056,604</b>	<b>\$ 31,113,021</b>
<b>LIABILITIES</b>								
Accrued liabilities	\$ 113,110	\$ 288,328	\$ -	\$ 14,931	\$ 307,274	\$ 17,962	\$ -	\$ 741,605
Due to other funds	2,629,535	900,517	-	-	5,361	43,363	-	3,578,776
<b>Total Liabilities</b>	<b>2,742,645</b>	<b>1,188,845</b>	<b>-</b>	<b>14,931</b>	<b>312,635</b>	<b>61,325</b>	<b>-</b>	<b>4,320,381</b>
<b>FUND BALANCES</b>								
Non-spendable	-	25,054	-	-	-	-	-	25,054
Restricted	-	2,499,044	-	2,796,213	9,133,034	2,263,481	8,056,604	24,748,376
Committed	1,370,610	-	648,600	-	-	-	-	2,019,210
<b>Total Fund Balances</b>	<b>1,370,610</b>	<b>2,524,098</b>	<b>648,600</b>	<b>2,796,213</b>	<b>9,133,034</b>	<b>2,263,481</b>	<b>8,056,604</b>	<b>26,792,640</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,113,255</b>	<b>\$ 3,712,943</b>	<b>\$ 648,600</b>	<b>\$ 2,811,144</b>	<b>\$ 9,445,669</b>	<b>\$ 2,324,806</b>	<b>\$ 8,056,604</b>	<b>\$ 31,113,021</b>

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
<b>REVENUES</b>								
Revenue limit sources								
Transfers	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,000
Federal sources	1,029,780	7,802,880	-	-	-	-	-	8,832,660
Other State sources	110,373	603,290	-	-	-	-	-	713,663
Other local sources	1,710,048	3,958,772	1,686	904,565	29,324	10,286	6,562,611	13,177,292
<b>Total Revenues</b>	<b>2,850,201</b>	<b>12,964,942</b>	<b>1,686</b>	<b>904,565</b>	<b>29,324</b>	<b>10,286</b>	<b>6,562,611</b>	<b>23,323,615</b>
<b>EXPENDITURES</b>								
Current								
Instruction	3,215,239	-	-	-	-	-	-	3,215,239
Instruction-related services								
Instructional supervision and administration	500,395	-	-	-	-	-	-	500,395
Instructional library, media, and technology	88,593	-	-	-	-	-	-	88,593
School site administration	1,520,541	-	-	-	-	-	-	1,520,541
Pupil services								
Food services	-	11,314,681	-	-	-	-	-	11,314,681
All other pupil services	11,661	-	-	-	-	-	-	11,661
General administration								
All other general administration	179,903	499,055	-	74,052	-	-	-	753,010
Plant services	1,005,063	750,509	(1,360)	-	-	1,086,062	-	2,840,274
Facilities acquisition and maintenance	-	-	-	47,922	1,475,028	1,527	-	1,524,477
Community services	6,515	-	-	-	-	-	-	6,515
Debt service								
Principal	-	-	-	130,179	-	-	22,625,000	22,755,179
Interest and other	-	-	-	-	-	-	2,464,082	2,464,082
<b>Total Expenditures</b>	<b>6,527,910</b>	<b>12,564,245</b>	<b>(1,360)</b>	<b>252,153</b>	<b>1,475,028</b>	<b>1,087,589</b>	<b>25,089,082</b>	<b>46,994,647</b>
<b>Excess (Deficiency) of Revenues</b>								
<b>Over Expenditures</b>	<b>(3,677,709)</b>	<b>400,697</b>	<b>3,046</b>	<b>652,412</b>	<b>(1,445,704)</b>	<b>(1,077,303)</b>	<b>(18,526,471)</b>	<b>(23,671,032)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers In	3,799,670	-	200,000	-	-	810,000	-	4,809,670
Transfers Out	-	-	-	-	-	-	(810,000)	(810,000)
<b>Net Financing Sources (Uses)</b>	<b>3,799,670</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>810,000</b>	<b>(810,000)</b>	<b>3,999,670</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>121,961</b>	<b>400,697</b>	<b>203,046</b>	<b>652,412</b>	<b>(1,445,704)</b>	<b>(267,303)</b>	<b>(19,336,471)</b>	<b>(19,671,362)</b>
<b>Fund Balance - Beginning</b>	<b>1,248,649</b>	<b>2,123,401</b>	<b>445,554</b>	<b>2,143,801</b>	<b>10,578,738</b>	<b>2,530,784</b>	<b>27,393,075</b>	<b>46,464,002</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,370,610</b>	<b>\$ 2,524,098</b>	<b>\$ 648,600</b>	<b>\$ 2,796,213</b>	<b>\$ 9,133,034</b>	<b>\$ 2,263,481</b>	<b>\$ 8,056,604</b>	<b>\$ 26,792,640</b>

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2012**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2012 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2012.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 31,798,834
Medi-Cal Administrative Activities (MAA)	93.778	8,608
Medi-Cal Billing Option	93.778	350,605
Teaching American History	84.215X	165,078
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 32,323,125</u>

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46206*.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections 46201.2 and 46201.3*.

**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.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2012**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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State Board of Accountancy

Governing Board  
Mount Diablo Unified School District  
Concord, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2012. 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**

Management of Mount Diablo Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mount Diablo Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mount Diablo Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mount Diablo Unified School District's internal control over financial reporting.

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items #2012-1 through #2012-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

Mount Diablo Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Mount Diablo Unified School District's responses and, accordingly, we express no opinion on them.

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



San Diego, California  
December 13, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board  
Mount Diablo Unified School District  
Concord, California

**Compliance**

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Mount Diablo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mount Diablo Unified School District's management. Our responsibility is to express an opinion on Mount Diablo Unified 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 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 Mount Diablo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mount Diablo Unified School District's compliance with those requirements.

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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State Board of Accountancy*

## Internal Control over Compliance

Management of Mount Diablo Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mount Diablo Unified School 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mount Diablo Unified School District's internal control over compliance.

A *deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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 governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Christy White Associates*

San Diego, California  
December 13, 2012

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Mount Diablo Unified School District  
 Concord, California

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Mount Diablo Unified School District's management. Our responsibility is to express an opinion on Mount Diablo Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Mount Diablo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mount Diablo Unified School District's compliance with the state laws and regulations referred to above.

In connection with the audit referred to above, we selected and tested transactions and records to determine Mount Diablo Unified School District's compliance with the state laws and regulations applicable to the following items:

<b>PROGRAM NAME</b>	<b>PROCEDURES IN AUDIT GUIDE</b>	<b>PROCEDURES PERFORMED</b>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes

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 State Board of Accountancy*

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Instructional Time for:		
School Districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	3	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	4	Not Applicable

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12* and which are reported in the accompanying Schedule of Findings and Questioned Costs as finding #2012-3.

Mount Diablo Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Mount Diablo Unified School District's responses and, accordingly, we express no opinion on them.

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

*Christy White Associates*

San Diego, California

December 13, 2012

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.010, 84.389</u>	<u>Title I, Part A Cluster, including ARRA</u>
<u>84.388</u>	<u>ARRA - Title I, School Improvement Grant</u>
<u>10.553, 10.555, 10.556</u>	<u>Child Nutrition Cluster</u>
<u>84.365</u>	<u>Title III, Limited English Proficient (LEP) Student Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 969,694</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

**FINDING #2012-1: ASB INTERNAL CONTROL (30000)**

**Criteria:** Cash receipts by the Associated Study Body (ASB) should ensure that all money received should have adequate supporting documentation. In addition, any checks that are voided by the ASB should be kept in file and noted in the ASB transaction records.

**Condition:** Through our testing of ASB at school sites, we noted the following internal control deficiencies:

*Foothill Middle School*

- 1 out of 5 cash receipts selections had a sales/fundraising activity that could not be reconciled to receipts due to lack of supporting documentation.
- Voided checks are not maintained in the ASB Fund records.

*Mt. Diablo High School*

- 9 out of 15 cash receipts tested lacked sufficient supporting documentation and were not tracked through the InTouch cash receipting system.

**Cause:** Insufficient controls over student body activities.

**Effect:** The potential ability for cash received to not make it to the bank.

**Perspective:** Testing of a sample of cash receipts and disbursements at ASB's throughout the District.

**Recommendation:** The District should ensure that ASB's adopt documentation for all cash received at the sites and use these to reconcile cash received to the amounts deposited to the bank for all sales. They should also maintain all voided checks that are written.

**District's Response:** The District concurs with the finding. All sites are being provided the newly released 2012 FCMAT revision to the Associated Student Body Manual with the requisite form samples included for their use.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
JUNE 30, 2012**

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**FINDING #2012-2 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (30000)**

**Criteria:** In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, an actuarial study is required at least biennially for other postemployment benefit (OPEB) plans with a total membership of 200 or more. The actuarial study enables the District to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

**Condition:** The District’s most recent actuarial study is dated May 1, 2008. As of June 30, 2012, the District was not in compliance with the biannual requirement for its actuarial study.

**Perspective:** Since the required implementation of GASB Statement No. 45 by the District, the District has only obtained the initial actuarial study.

**Effect:** The District is not in compliance with the requirement of GASB Statement No. 45. The recent actuarial study may not properly estimate the District’s OPEB liability as of June 30, 2012.

**Cause:** The District attempted to secure an actuarial study through the Request for Proposals process after its previous actuary informed it that it would not be able to perform the service. However, the process did not yield a contract.

**Recommendation:** We recommend that the District obtain a new actuarial study on its OPEB obligation and rely on the study for only two fiscal years before obtaining another OPEB actuarial study.

**District Response:** In November, 2012, the District awarded a contract for a new actuarial study as of June 30, 2012. The study is underway, but was not completed in time to be included in this report.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

---

**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

*There were no federal award findings and questioned costs for the year ended June 30, 2012.*

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2012-3: SCHOOL ACCOUNTABILITY REPORT CARD (SARC) (72000)**

**Criteria:** School facilities conditions assessments as indicated in a school’s annual School Accountability Report Card (SARC) should match the information indicated in facility conditions evaluation instruments developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per *Education Code Sections 33126(b)(8) and 17002*.

**Condition & Context:** Auditor noted during testing of the School Accountability Report Card that the online SARC was referencing information for the 2011-12 year but the Facilities Inspection Tools (FIT) forms were not for the proper year.

**Questioned Cost:** Not applicable.

**Effect:** District is out of compliance with *Education Code* for the School Accountability Report Card.

**Cause:** Insufficient controls over completing the FIT forms and posting them to the online SARC.

**Perspective:** A review of a sample of SARC’s for the District’s schools.

**Recommendation:** We recommend that the District adopt controls to ensure that FIT forms are accurately completed and posted to the SARC online. They should also ensure that the information contained in the SARC accurately reflects the evaluations noted in the FIT.

**District’s Response:** The District concurs with the finding. The Maintenance Department will work with the Research and Evaluation Department to ensure that the SARCs link to the correct FIT documents in the future.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINDING #2011-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)**

**Criteria:** Internal controls should be implemented to minimize the possibility for waste or abuse of Associated Student Body (ASB) resources.

**Condition:** We found the following internal control deficiencies during the audit of the ASB organizations:

- Lack of adequate backup on cash receipts found, e.g., tally sheets, sales analysis/worksheet, receipts.
- Expenditures are lacking proper approval and/or not allowable. Check was written to CASH rather than to a specific payee.

**Cause:** Inadequate support for cash receipts and improper approval or unallowable disbursement.

**Effect or Potential Effect:** Potential abuse within the District's ASB organizations.

**Perspective:** A sample of cash receipts and disbursements selected at six of the District's ASB organizations.

**Recommendations:** We recommend that staff handling student funds be reminded of the importance of good internal controls and documentation. Training of staff is recommended to take place at least annually. The required use of standardized procedures is recommended. Lastly, the District's internal audit function might assist in periodic monitoring of compliance with standardized District procedures.

**District Response:** The District has participated in the annual training on Associated Student Body funds provided by the Contra Costa County Office of Education. The District is not in a fiscal position to bring the position of Internal Auditor back at this time.

**Current Status:** Not implemented. See finding #2012-1

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINDING #2011-2: FEDERAL PAYROLL DOCUMENTATION (50000)**

**Federal Program Information:**

- Title I, Part A, Basic Grants (CFDA 84.010)
- ARRA - Title I, Part A, Basic Grants (CFDA 84.389)
- Title I, School Improvement Grant for QEIA Schools (CFDA 84.377)
- ARRA - Title I, School Improvement Grant for QEIA Schools (CFDA 84.388)
- Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.318)
- ARRA - Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.386)

**Criteria:** LEA's are required to document their salary and wage charges to all federal programs in accordance with the standards specified in OMB Circular A-87, Attachment B, Section 11(h).

**Condition:** In 2010-11, the District did not prepare semi-annual time certifications for employees whose time was charged to Title I, Part A, Basic Grants, ARRA-Title I, Part A, Basic Grants, Title School Improvement Grant for QEIA Schools, ARRA - Title I, School Improvement Grant for QEIA, Title II, Part D Enhancing Education through Technology (EETT), ARRA - Title II, Part D Enhancing Education through Technology (EETT). However, we did not find any employees whose salaries or wages were charged to the programs tested above in the 2010-11 year that did not appear to be allowable.

**Context:** Semi-annual time certifications were not prepared in the 2010-11 fiscal year, therefore questioned costs represent all salaries and wages for employees whose time was charged to the programs tested above.

**Questioned Costs:** Total questioned employee salaries and wages charged to the programs identified above are as follows:

- \$3,186,132 for Title I, Part A, Basic Grants (CFDA 84.389)
- \$1,844,745 for ARRA - Title I, Part A, Basic Grants (CFDA 84.389)
- \$263,066 for Title I, School Improvement Grant for QEIA Schools (CFDA 84.377)
- \$1,362,776 for ARRA - Title I, School Improvement Grant for QEIA Schools (CFDA 84.388)
- \$12,269 for Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.318)
- \$45,754 for ARRA - Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.386)

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINDING #2011-2: FEDERAL PAYROLL DOCUMENTATION (50000) (continued)**

**Cause:** The District did not have the adequate staffing to oversee the efforts over the collection of documentation for employee time and effort.

**Effect:** The District is not in full compliance with the federal regulations as they pertain to the federal programs listed above.

**Recommendation:** We recommend the District document semi-annual certifications for the employees charged to the federal program in the 2010-11 year. Per guidance outlined at OMB Circular A-87, Attachment B, Section 11(h), the semi-annual time certifications may be prepared by the employee or supervisory official having first-hand knowledge of the work performed by the employee. An example of a semi-annual time certification may be found at Procedure 905, *Documenting Salaries and Wages*, in the March 2008 edition of the California School Accounting Manual.

**District Response:** The District concurs with the finding. The required documentation for the 2010-11 school year has been distributed to the school sites with a due date of December 16, 2011, for returning documentation to the District Office. Additionally, the forms for the first half of the 2011-12 school year have been distributed and a new schedule utilized to track completion in a more timely manner.

**Current Status:** Implemented.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINDING #2011-3: SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

**Criteria:** School facilities conditions assessments as indicated in a school's annual School Accountability Report Card should match the information indicated in the facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002.

**Condition:** The facility inspection tool (FIT) forms for selected schools were inconsistent with the School Accountability Report Card (SARC) that was published in the fiscal year 2010-11.

**Context:** 4 of 9 school sites tested

**Cause:** School Accountability Report Cards were not filled out correctly based on the most recent FIT forms.

**Effect:** The 2009-10 School Accountability Report Cards as tested in the 2010-11 fiscal year were not in compliance with Education Code.

**Questioned Costs:** Not applicable

**Recommendation:** We recommend that the District updates the SARC and ensure it agrees to the FIT forms. In addition, we recommend the District makes certain that future SARC's posted to the District's website are complete and in compliance with Education Code.

**District Response:** The District will establish new procedures under which the facilities office will forward copies of the completed facilities inspection tool forms to the research and evaluation office for inclusion in the school accountability report cards.

**Current Status:** Not implemented, see Finding #2012-3



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINDING 2011-4: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM ATTENDANCE (40000)**

**Criteria:** The District is required to record and semi-annually report the actual pupil attendance for the After School Education and Safety (ASES) program as defined in Education Code Section 8482.3 – 8484. Education Code Section 8484(a)(1)(B) requires the semi-annual attendance reports to reconcile to the underlying records of attendance.

**Condition:** ASES program attendance summary reports which is used to report to the CDE does not reconcile to the ASES attendance information per sign-in and sign-out sheets. This resulted in discrepancies of 47 student days overstated out of 1,236 student days tested.

**Context:** We tested the ASES program at Bel Air Elementary, El Dorado Middle School, and Riverview Middle School, which noted overstatements of 7, 1, and 39 student days, respectively.

**Cause:** There was a moderate lack on controls over the sign-in and sign-out process at Riverview Middle School.

**Effect:** The internal control weakness over attendance recordkeeping allows for inaccurate amounts of program attendance to be reported.

**Questioned Costs:** None. The ASES program funding is not affected as long as the pupil participation level is 85% of the projected attendance or greater. Since the finding noted a net over-reporting of 47 student days of attendance, or 3.8% based on the sample audited, the program attendance when corrected does not appear to fall below 85% of the projected attendance; therefore there are no questioned costs.

**Recommendation:** We recommend that the District should ensure that all source documents for ASES attendance match the reports being submitted for funding. In addition, the District should revise the semi-annual reports to correct for all discrepancies between the report and the sign in/out sheets.

**District Response:** The district has recently taken this program over from the former contracted service provider and the administrator over the program has instituted new attendance reporting processes that include weekly cross checking of the manually reported attendance with the computerized attendance system to ensure that any errors are corrected immediately.

**Current Status:** Implemented.