



August 9, 2011

Mt. Diablo Unified School District  
1936 Carlotta Drive  
Concord, CA 94519

We are pleased to confirm our understanding of the services we are to provide Mount Diablo Unified School District for the fiscal years ending June 30, 2010 and June 30, 2011, plus the optional one year audits for fiscal years ending June 30, 2012 and June 30, 2013. We will audit the balance sheets of the **2002 Measure C Bond** of Mount Diablo Unified School District as of June 30, 2010, June 30, 2011, June 30, 2012 and June 30, 2013 and the related statements of revenues, expenditures and changes in fund balance for the fiscal years ending June 30, 2010, June 30, 2011, June 30, 2012 and June 30, 2013. The audits will include a financial and performance audit, in accordance with Article 13A of the California Constitution.

#### **Audit Objectives**

The objective of our audits is the expression of an opinion as to whether the **2002 Measure C Bond** financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and whether the District complied with the compliance requirements over the deposit and use of Measure C funds.

Our audits will be conducted in accordance with generally accepted auditing standards; the standards for financial and performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of accounting records of Mount Diablo Unified School District and other procedures we consider necessary to enable us to express such an opinion.

If our opinions on the financial statements or compliance are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audits or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of these engagements.

We will provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. We will also provide a Performance Audit report, as required by Proposition 39, which will also be conducted in accordance with *Government Auditing Standards*. These reports will include a statement that the reports are intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and are not intended to be and should not be used by anyone other than these specified parties.

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## Management Responsibilities

Management is responsible for establishing and maintaining internal control, including monitoring ongoing activities; for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the **2002 Measure C Bond** of the Mount Diablo Unified School District and the respective changes in financial position in conformity with U.S. generally accepted accounting principles; and, for compliance with applicable laws and regulations and the provisions of contracts. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of every audit, we will prepare a draft of your financial statements and related notes. In accordance with Governmental Auditing Standards, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us, including identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the general purpose financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for proving management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

## **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of the inventories, and direct confirmation of certain assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

## **Audit Procedures – Internal Controls**

Our audits will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the general purpose financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the general purpose financial statements. Tests of controls relative to the general purpose financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

## **Audit Procedures – Compliance**

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we will perform tests of Mount Diablo Unified School District’s compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Audit Administration, Fees, and Other**

The audit documentation for this engagement is the property of Christy White Accountancy Corporation and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the State Controller’s Office or its designee or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Christy White Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release or for any additional period requested by the State Controller’s Office or any state agency.

Our professional fees for these services will be as follows:

<u>Periods Audited</u>		
June 30, 2010*	\$	6,750
June 30, 2011	\$	7,500
June 30, 2012	\$	7,500
June 30, 2013	\$	7,500

*\* Discounted by 10% as the June 30, 2010 audit will be conducted simultaneously with the June 30, 2011 audit*

In the event the scope of the audit significantly exceeds (or is less than) the expected number of hours, we will work with the District prior to incurring any additional hours, if applicable, and arrive at a new fee estimate. The maximum annual fee for auditing services shall not exceed the above amounts, with the exception that any auditing services provided for significant changes in District audit requirements as stated in *Government Auditing Standards* or changes in applicable laws and regulations.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

This audit contract is null and void if the firm is declared ineligible to audit K-12 school districts pursuant to subdivision (c) of Education Code Section 41020.5. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

The first period to be audited shall be for the two fiscal year period from July 1, 2009 through June 30, 2011, and is subject to extension for up to two additional fiscal years, if agreeable to the auditors and the District. The agreement may be cancelled annually if notified by the client or auditor by February 15 of each year. Additional extensions beyond 2013 may be secured on a year by year basis, subject to the agreement of the District and the auditor.

We appreciate the opportunity to be of service to Mount Diablo Unified School District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Christy White Accountancy Corporation

RESPONSE:

This letter correctly sets forth the understanding of Mount Diablo Unified School District.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date