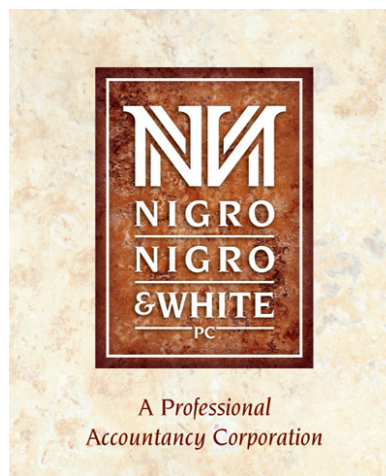


**MOUNT DIABLO  
UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2009**



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 AUDIT REPORT  
 For the Fiscal Year Ended June 30, 2009  
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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 AUDIT REPORT  
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Board of Accountancy

Board of Trustees  
Mount Diablo Unified School District  
Concord, California

## INDEPENDENT AUDITORS' REPORT

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 fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2009 on our consideration of the Mount Diablo Unified School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 and the required supplementary information on pages 55 through 56 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mount Diablo Unified School District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



San Diego, California  
November 14, 2009

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*Management's Discussion and Analysis*

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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This discussion and analysis of Mount Diablo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Overall government-wide revenues were \$357.4 million. Revenues were \$16.2 million more than expenses, primarily due to the receipt of the American Recovery and Reinvestment Act funding at the end of the fiscal year.
- The total cost of basic programs was approximately \$341.2 million.
- The District decreased its outstanding long-term debt \$2.4 million or 1% over the prior year.
- Average daily attendance (ADA) in grades K-12 decreased by 202, or less than 1%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

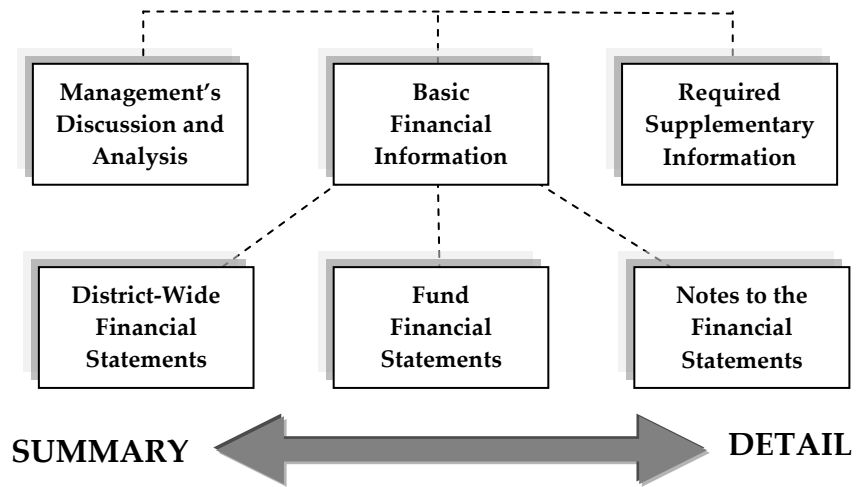
- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of Mount Diablo Unified School District's Annual Financial Report**





**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-wide Statements**

The district-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 District'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 district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements 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. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

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

**Net Assets:** The District's combined net assets were greater on June 30, 2009, than they were the year before – increasing 8% to \$214.2 million. (See Table A-1).

**Table A-1**  
**Mount Diablo Unified School District's Net Assets**

	<b>Governmental Activities</b>		<b>Total</b>
	<b>2008*</b>	<b>2009</b>	<b>Percentage Change</b>
			<b>2008-09</b>
Current and other assets	\$ 145,764,615	\$ 156,197,037	7%
Capital assets	402,087,028	409,431,560	2%
Total assets	547,851,643	565,628,597	3%
Other liabilities	40,657,160	48,422,345	19%
Long-term liabilities	309,178,887	302,978,853	-2%
Total liabilities	349,836,047	351,401,198	0%
<b>Total net assets</b>	<b>\$ 198,015,596</b>	<b>\$ 214,227,399</b>	<b>8%</b>

\* As restated

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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

**Changes in net assets, governmental activities.** The District's total revenues were \$357.4 million (See Table A-2). This is an increase of approximately \$13.6 million, which is due primarily to the receipt of the American Recovery and Reinvestment Act of 2009, State Fiscal Stabilization Funds.

The total cost of all programs and services was \$341.2 million. The District's expenses are predominantly related to educating and caring for students, 76%. The purely administrative activities of the District accounted for just 4% of total costs. The total costs decreased by 2%, primarily due to staffing cuts.

**Table A-2**  
**Changes in Mount Diablo Unified School District's Net Assets**

	<b>Governmental Activities</b>		<b>Total</b>
	<b>2008</b>	<b>2009</b>	<b>Percentage Change</b>
			<b>2008-09</b>
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 5,981,815	\$ 5,604,850	-6%
Operating grants and contributions	82,915,306	96,287,930	16%
Capital grants and contributions	1,673,264	12,530,814	649%
<i>General revenues</i>			
Property taxes	123,928,507	124,740,913	1%
Other revenues	129,371,542	118,270,304	-9%
Total revenues	<u>343,870,434</u>	<u>357,434,811</u>	4%
Expenses:			
Instruction-related	238,501,182	231,178,261	-3%
Student support services	27,096,488	27,730,295	2%
Maintenance & operations	31,669,445	33,066,499	4%
Administration	15,153,733	15,035,815	-1%
Other expenses	34,801,095	34,212,138	-2%
Total expenses	<u>347,221,943</u>	<u>341,223,008</u>	-2%
<b>Increase in net assets</b>	<u>\$ (3,351,509)</u>	<u>\$ 16,211,803</u>	584%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management’s Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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**FINANCIAL ANALYSIS OF THE DISTRICT’S 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 \$120.0 million, which is more than last year’s ending fund balance of \$111.1 million, as originally stated.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments from original to final budget fall into these categories:

- Revenues – increased by \$17.9 million primarily to reflect federal and state budget actions and rebudget carryover funds
- Salaries and benefits costs – increased about \$33.6 million to reflect a projected increase in other outgo and other operating expenditures

While the District’s final budget for the General Fund anticipated expenditures would exceed revenues by \$22.1 million, the actual results for the year show that revenues exceeded expenditures by \$13.0 million due to the receipt of the American Recovery and Reinvestment Act of 2009, State Fiscal Stabilization Funds. Actual revenues were \$2.4 million more than anticipated, but expenditures were \$32.9 million less than budgeted.

**Table A-3**  
**Net Costs of Mount Diablo Unified School District’s**  
**Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instructional services	\$ 231,178,261	\$ 144,972,703
Pupil support services	27,730,295	10,097,656
Maintenance & operations	33,066,499	30,110,042
Administration	15,035,815	11,702,344
Other expenses	34,212,138	29,916,669
Total expenses	\$ 341,223,008	\$ 226,799,414

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2008-09 the District had invested over \$555.1 million in capital assets – as shown in the table below. (More detailed information about capital assets can be found in Note 6 to the financial statements.)

**Table A-4**  
**Mount Diablo Unified School District's Capital Assets**

	<b>Governmental Activities</b>		<b>Total Percentage</b>
	<b>2008</b>	<b>2009</b>	<b>Change</b>
Land	\$ 14,436,462	\$ 14,436,462	0%
Site Improvements	3,150,146	19,917,304	532%
Buildings	439,137,469	501,265,608	14%
Equipment and furniture	14,810,267	15,323,361	3%
Construction in progress	60,148,155	4,184,964	-93%
<b>Total</b>	<b>\$ 531,682,499</b>	<b>\$555,127,699</b>	<b>4%</b>

**Long-Term Debt**

At year-end the District had \$312.9 million in general obligation bonds, capital leases, and compensated absences – a decrease of 2% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in Note 8, Note 14 and Note 1.H.5 to the financial statements.)

**Table A-5**  
**Mount Diablo Unified School District's Long-Term Debt**

	<b>Governmental Activities</b>		<b>Total</b>
	<b>2008</b>	<b>2009</b>	<b>Percentage Change</b>
General obligation bonds	\$ 218,631,015	\$212,965,000	-71%
Mello-Roos	66,979,911	63,600,000	-86%
Capitalized lease obligations	9,627,425	9,139,182	-5%
Certificated of participation	5,922,762	5,670,000	-4%
Construction Loan	5,681,925	5,636,148	-1%
Compensated Absences	4,203,269	3,558,522	-15%
Other post-employment benefits	4,248,777	8,622,710	103%
Other general long-term debt	3,853,688	3,670,734	-5%
<b>Total</b>	<b>\$ 319,148,772</b>	<b>\$312,862,296</b>	<b>-2%</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Unlike most years, California began the 2009-10 fiscal year with a budget already in place. On February 20, 2009, Governor Schwarzenegger signed a spending plan aimed at addressing the State's worsening budget crisis. However, after the signing of the budget, the fiscal outlook began to worsen. The Governor and Legislature began working to close the budget gap.

On July 28, Governor Schwarzenegger signed a package of bills aimed at closing the state's \$23.241 billion budget shortfall. The package of bills includes a total of \$24.159 billion in "solutions" - \$16.125 billion in spending cuts; \$3.492 billion in revenues and revenue accelerations; \$2.182 billion in borrowing, including \$1.935 billion from local government property tax revenues; \$1.005 billion in fund shifts; and \$1.355 billion in other "solutions", including one-time savings from deferring the payment of state employees' final paycheck for the 2009-10 fiscal year until July 1, 2010.

**K-12 Education Budget Agreement:**

- Reduces 2008-09 funding for categorical programs by \$1.6 billion compared to the funding level provided by the February budget agreement.
- Reduces 2009-10 revenue limit payments by \$4.0 billion compared to the 2009-10 Budget enacted in February and adjusts the revenue limit deficit factor to 18.4 percent for school districts and 18.6 percent for county offices of education.
- Defers \$1.7 billion of school districts' revenue limit payments from 2009-10 to 2010-11.
- Counts \$402 million in 2009-10 funding for the Quality Education Investment Act (QEIA) toward the Proposition 98 minimum funding guarantee to produce an equal amount of General Fund savings. Historically, QEIA dollars provided funds to school districts with the lowest academic achievement and did not count toward the Proposition 98 guarantee. The budget agreement extends the QEIA program by one year, to 2014-15.
- Provides \$496 million in 2009-10 Proposition 98 funding for home-to-school transportation – a reduction of approximately 20 percent from the \$618.7 million provided for the program in 2008-09.
- Reduces 2009-10 funding by \$80 million for Basic Aid school districts' categorical programs to provide a proportionate reduction to non-Basic Aid districts' revenue limit reductions.
- Allows school districts to reduce the school year by up to five instructional days through 2012-13 without losing incentive grants.
- Suspends the requirement that school districts purchase newly adopted instructional materials through 2012-13.
- Allows school districts to sell surplus property and use the proceeds for General Fund purposes through 2011.
- Suspends the High School Exit Exam graduation requirement for students with disabilities beginning in 2009-10. The suspension would last until the State Board of Education authorizes an alternative exam for disabled students.

The Governor's line item vetoes include a \$3.9 million cut to student transportation at State Special Schools, which the Governor states is duplicative because federal special education funds are available for this purpose.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Federal Funding (ARRA)**

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA aims to boost the economy through a \$787 billion package of spending and tax measures. Nationally, more than \$100 billion is dedicated to education. California's schools, colleges, and universities can expect to receive approximately \$11.0 billion over three years that can be used to mitigate the impact of state budget reductions and address specified policy goals.

The largest share of the ARRA's education dollars comes from an allocation called the State Fiscal Stabilization Fund, which aims to help states balance their budgets and mitigate the impact of cuts. Other ARRA funds targeting education include support for special education, schools that serve disproportionate numbers of students from disadvantaged backgrounds, school technology, statewide data systems, and teacher improvement programs.

The new State Fiscal Stabilization Fund (SFSF), aimed at helping to stabilize state budgets and mitigate the impact of budget cuts, is the largest pot of ARRA funding focused on education.

The California Department of Education (CDE) recently reported that California's schools received preliminary payments totaling \$2.5 billion from the state's initial Education Stabilization Fund (ESF) allocation. These payments were based on the reductions made to each school district's 2008-09 general-purpose and categorical funds as part of the February budget agreement. K-12 school districts received \$1.6 billion to backfill reductions made to their 2008-09 general-purpose funds and \$887.5 million to backfill reductions made to their 2008-09 categorical funding.

While California cannot use ESF dollars to replace state spending required by the Proposition 98 guarantee, ESF dollars *can* be used to mitigate the impact of the significant state spending reductions enacted as part of current efforts to balance the budget. Local schools can use ESF dollars to help pay for any activity authorized under the Elementary and Secondary Education Act, the Individuals With Disabilities Education Act (IDEA), the Adult Education and Family Literacy Act, and/or the Carl D. Perkins Career and Technical Education Act.

The ARRA significantly increases funding for the primary federal program aimed at improving the education of disadvantaged students, including students from low-income families and English language learners. The federal Title I program aims to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education. California is slated to receive \$1.5 billion in additional Title I dollars under the ARRA, a significant boost in federal support.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Federal Funding (ARRA) (continued)**

The ARRA also significantly increases federal support for the IDEA, also referred to as special education, with the goal of helping to ensure that students with disabilities receive an appropriate education. The CDE estimates that California's schools will receive \$1.3 billion in additional special education support from the ARRA - \$1.2 billion for K-12 education and \$41 million for pre-school programs. California received half of its ARRA IDEA dollars in April and will receive the second half by the end of September upon approval of a report the state must submit to the Department of Education (DOE).

The ARRA provides a significant level of funding to support California's schools, which will help mitigate the impact of state spending cuts. While the ARRA limits the extent to which ARRA's education dollars can be used to help close the state's budget shortfall, the Legislature may choose to use some ARRA dollars for this purpose. To receive additional ARRA dollars, however, California must submit reports to the DOE that include information regarding how the state and local schools use their ARRA allocations. These reports are designed to promote transparency and accountability at the local, state, and federal levels and will be reviewed by the DOE to determine whether California receives additional ARRA dollars.

**Other Factors**

**Enrollment**

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

All of these factors were considered in preparing the Mount Diablo Unified School District budget for the 2009-10 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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*Financial Section*

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2009**

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	Total Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash	\$ 43,426,298
Investments	64,436,356
Accounts receivable	44,764,147
Inventories	664,900
Prepaid expenses	2,905,337
Total current assets	<u>156,197,038</u>
Capital assets:	
Land	14,436,462
Improvement of sites	19,917,304
Buildings	501,265,608
Furniture and equipment	15,323,361
Construction in progress	4,184,964
Less accumulated depreciation	<u>(145,696,139)</u>
Total capital assets, net of depreciation	<u>409,431,560</u>
Total assets	<u>565,628,598</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	21,251,062
Current loans	14,000,000
Deferred revenue	3,287,841
Current portion of long-term debt	<u>9,883,443</u>
Total current liabilities	48,422,346
Non-current liabilities	<u>302,978,853</u>
Total liabilities	<u>351,401,199</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	157,567,100
Restricted for:	
Capital projects	2,509,867
Debt service	15,117,218
Educational programs	25,158,851
Other purposes (expendable)	4,300,779
Other purposes (nonexpendable)	2,934,238
Unrestricted	<u>6,639,346</u>
Total net assets	<u>\$ 214,227,399</u>

The notes to financial statements are an integral part of this statement.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Instructional Services:					
Instruction	\$ 192,737,511	\$ 377,352	\$ 63,955,437	\$ 12,530,814	\$ (115,873,908)
Instruction-Related Services:					
Supervision of instruction	10,704,451	10,792	6,379,390	-	(4,314,269)
Instructional library, media and technology	4,111,185	18,099	501,291	-	(3,591,795)
School site administration	23,625,114	7,171	2,425,212	-	(21,192,731)
Pupil Support Services:					
Home-to-school transportation	6,592,775	366,631	2,822,959	-	(3,403,185)
Food services	10,906,132	4,004,157	5,785,074	-	(1,116,901)
All other pupil services	10,231,388	91,691	4,562,127	-	(5,577,570)
General Administration Services:					
Data processing services	2,408,163	13,730	243,792	-	(2,150,641)
Other general administration	12,627,652	147,281	2,928,668	-	(9,551,703)
Plant services	33,066,499	413,569	2,542,888	-	(30,110,042)
Ancillary services	1,630,395	45,083	310,793	-	(1,274,519)
Community services	605,403	1,055	471,085	-	(133,263)
Enterprise activities	58,915	759	4,340	-	(53,816)
Interest on long-term debt	13,608,273	-	-	-	(13,608,273)
Other outgo	2,208,484	107,480	3,354,874	-	1,253,870
Depreciation (unallocated)	16,100,668	-	-	-	(16,100,668)
Total Governmental Activities	\$ 341,223,008	\$ 5,604,850	\$ 96,287,930	\$ 12,530,814	(226,799,414)

**General Revenues:**

Taxes:	
Property taxes, levied for general purposes	101,862,655
Property taxes, levied for debt service	22,255,462
Property taxes, levied for other specific purposes	622,796
Federal and state aid not restricted to specific purpose	111,122,827
Interest and investment earnings	1,435,944
Miscellaneous	5,711,533
Total general revenues	243,011,217
Change in net assets	16,211,803
Net assets - July 1, 2008, as originally stated	198,401,640
Adjustment for restatement (see Note 16)	(386,044)
Net assets - July 1, 2008, as restated	198,015,596
Net assets - June 30, 2009	\$ 214,227,399

The notes to financial statements are an integral part of this statement.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**June 30, 2009**

	General Fund	County School Facilities Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 17,104,728	\$ 5,796,910	\$ 3,224,550	\$ 17,300,110	\$ 43,426,298
Investments	17,055,496	16,543,618	24,442,294	6,394,948	64,436,356
Accounts receivable	42,158,245	67,741	2,344	2,535,817	44,764,147
Due from other funds	1,232,268	387	-	743,877	1,976,532
Inventories	536,118	-	-	128,782	664,900
Prepaid expenditures	29,382	-	-	-	29,382
Total Assets	<u>\$ 78,116,237</u>	<u>\$ 22,408,656</u>	<u>\$ 27,669,188</u>	<u>\$ 27,103,534</u>	<u>\$ 155,297,615</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 12,867,008	\$ 2,668,054	\$ -	\$ 480,209	\$ 16,015,271
Due to other funds	744,263	119,947	-	1,112,322	1,976,532
Deferred revenue	3,287,841	-	-	-	3,287,841
Current loans	14,000,000	-	-	-	14,000,000
Total Liabilities	<u>30,899,112</u>	<u>2,788,001</u>	<u>-</u>	<u>1,592,531</u>	<u>35,279,644</u>
<b>Fund Balances</b>					
Reserved for:					
Inventories	536,118	-	-	128,782	664,900
Revolving cash	300,000	-	-	-	300,000
Debt service	-	-	27,669,188	9,058,789	36,727,977
Prepaid expenditures	29,382	-	-	-	29,382
Categorical programs	22,687,425	-	-	-	22,687,425
Other purposes (expendable)	13,376,735	-	-	-	13,376,735
Unreserved; reported in:					
General fund	10,287,465	-	-	-	10,287,465
Capital project funds	-	19,620,655	-	10,421,282	30,041,937
Other funds	-	-	-	5,902,150	5,902,150
Total Fund Balances	<u>47,217,125</u>	<u>19,620,655</u>	<u>27,669,188</u>	<u>25,511,003</u>	<u>120,017,971</u>
Total Liabilities and Fund Balances	<u>\$ 78,116,237</u>	<u>\$ 22,408,656</u>	<u>\$ 27,669,188</u>	<u>\$ 27,103,534</u>	<u>\$ 155,297,615</u>

The notes to financial statements are an integral part of this statement.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2009**

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<b>Total fund balances - governmental funds</b>		\$ 120,017,971
<p>Amounts reported for governmental <i>activities</i> in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$555,127,699 and the accumulated depreciation is (\$145,696,139).</p>		
		409,431,560
<p>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 unmatured interest owing at the end of the period was:</p>		
		(5,235,791)
<p>In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:</p>		
		2,875,955
<p>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:</p>		
	Capital leases payable	\$ 9,139,182
	Certificates of participation payable	5,700,882
	Compensated absences payable	3,558,522
	General obligation bonds payable	280,204,852
	Net OPEB obligation	8,622,710
	Other general long-term debt	5,636,148
		<u>(312,862,296)</u>
<b>Total net assets - governmental activities</b>		<u>\$ 214,227,399</u>

The notes to financial statements are an integral part of this statement.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**For the Fiscal Year Ended June 30, 2009**

REVENUES	General Fund	County School Facilities Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
General Revenues:					
Property taxes	\$ 101,941,827	\$ -	\$ 6,648,111	\$ -	\$ 108,589,938
Federal and state aid not restricted to specific purpose	105,386,982	-	-	21,886,820	127,273,802
Earnings on investments	768,440	-	427,814	239,688	1,435,942
Miscellaneous	3,412,215	-	-	2,299,321	5,711,536
Program Revenues:					
Charges for services	1,141,804	-	-	4,463,045	5,604,849
Operating grants and contributions	87,434,942	-	-	8,852,988	96,287,930
Capital grants and contributions	-	12,530,814	-	-	12,530,814
<b>Total Revenues</b>	<b>300,086,210</b>	<b>12,530,814</b>	<b>7,075,925</b>	<b>37,741,862</b>	<b>357,434,811</b>
<b>EXPENDITURES</b>					
Instructional Services:					
Instruction	185,060,908	-	-	4,678,931	189,739,839
Instruction-Related Services:					
Supervision of instruction	10,055,399	-	-	619,546	10,674,945
Instructional library, media and technology	3,992,231	-	-	90,765	4,082,996
School site administration	21,590,000	-	-	1,835,379	23,425,379
Pupil Support Services:					
Home-to-school transportation	6,401,592	-	-	-	6,401,592
Food services	3,199	-	-	10,711,990	10,715,189
All other pupil services	10,134,764	-	-	18,553	10,153,317
General Administration Services:					
Data processing services	2,504,593	-	-	-	2,504,593
Other general administration	11,932,351	-	-	626,183	12,558,534
Plant services	27,569,239	-	-	2,723,180	30,292,419
Facility acquisition and construction	2,187,860	16,707,748	-	7,312,278	26,207,886
Ancillary services	1,613,741	-	-	-	1,613,741
Community services	503,356	-	-	88,895	592,251
Enterprise activities	58,915	-	-	-	58,915
Other outgo:					
Transfers between agencies	1,591,013	-	-	-	1,591,013
Debt service - issuance costs	434,090	-	-	14,900	448,990
Debt service - principal	708,243	-	3,405,000	1,865,777	5,979,020
Debt service - interest	722,204	-	2,658,883	7,778,071	11,159,158
<b>Total Expenditures</b>	<b>287,063,698</b>	<b>16,707,748</b>	<b>6,063,883</b>	<b>38,364,448</b>	<b>348,199,777</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,022,512	(4,176,934)	1,012,042	(622,586)	9,235,034
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	1,758,835	-	-	2,104,106	3,862,941
Interfund transfers out	(1,294,106)	-	(810,000)	(1,758,835)	(3,862,941)
<b>Total Other Financing Sources and Uses</b>	<b>464,729</b>	<b>-</b>	<b>(810,000)</b>	<b>345,271</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>13,487,241</b>	<b>(4,176,934)</b>	<b>202,042</b>	<b>(277,315)</b>	<b>9,235,034</b>
Fund Balances, July 1, 2008, as originally stated	33,729,884	23,797,589	27,467,146	26,174,362	111,168,981
Adjustment for restatement (see Note 16)	-	-	-	(386,044)	(386,044)
Fund Balances, July 1, 2008, as restated	33,729,884	23,797,589	27,467,146	25,788,318	110,782,937
<b>Fund Balances, June 30, 2009</b>	<b>\$ 47,217,125</b>	<b>\$ 19,620,655</b>	<b>\$ 27,669,188</b>	<b>\$ 25,511,003</b>	<b>\$ 120,017,971</b>

The notes to financial statements are an integral part of this statement.

**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 Fiscal Year Ended June 30, 2009**

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**Total net change in fund balances - governmental funds** \$ 9,235,034

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is 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	\$ 23,445,200	
Depreciation expense	<u>(16,100,668)</u>	7,344,532

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 reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 5,979,020

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. The increase in the net OPEB asset at the end of the period was: (4,373,933)

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: (168,481)

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 that 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: (2,632,070)

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.) 644,747

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: 182,954

**Change in net assets of governmental activities** \$ 16,211,803

The notes to financial statements are an integral part of this statement.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets – Fiduciary Funds**  
**June 30, 2009**

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	Trust	Agency	
	Scholarship	Funds	
	Fund	Student	Total
	Fund	Body Funds	Total
<b>Assets</b>			
Cash in county treasury	\$ 3,194	\$ -	\$ 3,194
Cash on hand and in banks	-	1,529,034	1,529,034
Investments	55,087	-	55,087
Accounts receivable	24	-	24
<b>Total Assets</b>	<b>58,305</b>	<b>1,529,034</b>	<b>1,587,339</b>
<b>Liabilities</b>			
Accounts payable	21	-	21
Due to student groups	-	1,529,034	1,529,034
<b>Total Liabilities</b>	<b>21</b>	<b>1,529,034</b>	<b>1,529,055</b>
<b>Net Assets</b>	<b>\$ 58,284</b>	<b>\$ -</b>	<b>\$ 58,284</b>

The notes to financial statements are an integral part of this statement.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Statement of Fiduciary Changes in Net Assets – Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2009**

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	Trust Scholarship Fund
<b>ADDITIONS</b>	
Interest	\$ 1,758
<b>Total Additions</b>	<u>1,758</u>
<b>DEDUCTIONS</b>	
Operating expenditures	<u>70</u>
<b>Total Deductions</b>	<u>70</u>
<b>Change in net assets</b>	1,688
<b>Net assets held in trust - July 1, 2008</b>	<u>56,596</u>
<b>Net assets held in trust - June 30, 2009</b>	<u><u>\$ 58,284</u></u>

The notes to financial statements are an integral part of this statement.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

A. Accounting Policies

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

B. Reporting Entity

The District operates under a locally elected five-member 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 fund, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

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. 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 which meet 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.

C. Basis of Presentation

*Government-wide Financial Statements:*

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

C. Basis of Presentation (continued)

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

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

*Fund Financial Statements:*

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

D. Basis of Accounting

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

*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 and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

D. Basis of Accounting (continued)

*Deferred revenue:*

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

*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 services 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. Fund Accounting

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

E. Fund Accounting (continued)

**Major Governmental Funds:**

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under SB50.
- The *Debt Service Fund for Blended Component Units* 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 LEA

**Non-major Governmental Funds:**

- *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue funds:
  1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
  2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
  3. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
- *Capital Projects Funds* are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains three non-major capital project funds:
  1. The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.
  2. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
  3. The Capital Project Fund for Blended Component Units 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 LEA.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

E. Fund Accounting (continued)

**Non-major Governmental Funds:** (continued)

- *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains one debt service fund:
  1. The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

**Fiduciary Funds:**

- *Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.
- *Foundation Private-Purpose Trust 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 LEA's own programs.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the financial statements.

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



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (continued)**

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be 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, in accordance with GASB Statement No. 31.

2. Stores 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 average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. 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. The District does not own any infrastructure as defined in GASB 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.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

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 useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

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, and recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

4. Deferred Revenue

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

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Compensated absences benefits in the amount of \$3,558,522 are recorded as a liability of the District.

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**  
**June 30, 2009**

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

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other 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 effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate portions of the fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. 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 improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

9. Restricted Net Assets.

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenses and inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenses and inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction of debt service represents that portion of net assets

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

I. Revenue Limit/Property Tax (continued)

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

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

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

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

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

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

J. Use of Estimates

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

L. New GASB Pronouncements

During the 2008-09 fiscal year, the following GASB Pronouncements became effective for the District.

GASB Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations* was issued in November, 2006. This statement addresses standards for obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not expected to have any financial impact on the District.

GASB Statement No. 52 – *Land and Other Real Estate Held as Investments by Endowments* was issued in November, 2007. The statement establishes consistent standards for the reporting of land and other real estate held as investments by endowments and similar entities, such as pension and other postemployment benefit plans, external investment pools, and deferred compensation plans. It requires land and other real estate held to be reported at fair value. This statement is not expected to have any financial impact on the District.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 2 – CASH AND INVESTMENTS**

Summary of Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	Governmental Funds	Fiduciary Funds
Cash in county treasury	\$ 42,552,518	\$ 3,194
Cash on hand and in banks	39,558	1,529,034
Cash in revolving fund	300,000	-
Cash with fiscal agent	512,447	-
Cash collections awaiting deposits	2,459	-
California Asset Management Program (CAMP)	24,461,610	55,087
Local agency investment	39,994,062	-
Total cash and investments	<u>\$ 107,862,654</u>	<u>\$ 1,587,315</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

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

*State Investment Pool* – 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**  
**June 30, 2009**

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

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.

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 web site. The table below identifies some of the investment types permitted in the investment policy:

<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**  
**June 30, 2009**

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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 an investment with the Contra Costa County Investment Pool with a fair value of approximately \$42,671,944 and an amortized book value of \$42,552,518. The average weighted maturity for this pool is 118 days. In addition, the District maintains cash with fiscal agent through Wells Fargo money market mutual funds with an amortized book value of \$512,447. Investments consist of amounts on deposit with the State's Local Agency Investment Fund with an amortized book value of \$39,994,062 and a fair market value of approximately \$40,048,622, which approximates cost.

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 investment with the Contra Costa County Investment Pool is rated AA Af/S1+ by Standard & Poor's.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, the District was not exposed to custodial credit risk.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2009 consist of the following:

	General Fund	County School Facilities Fund	Debt Service Fund for Blended Components Units	Non-Major Governmental Funds	Total Governmental Activities
Federal	\$ 9,055,207	\$ -	\$ -	\$ 2,230,294	\$ 11,285,501
State	31,082,752	67,741	-	185,530	31,336,023
Local	2,020,286	-	2,344	119,993	2,142,623
Total	<u>\$ 42,158,245</u>	<u>\$ 67,741</u>	<u>\$ 2,344</u>	<u>\$ 2,535,817</u>	<u>\$ 44,764,147</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 4 – INTERFUND TRANSACTIONS**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**A. Due From/Due To Other Funds**

Individual interfund receivable and payable balances as of June 30, 2009 are as follows:

	Due from Other Funds			Total
	General Fund	County School Facilities Fund	Other Governmental Funds	
General Fund	\$ -	\$ 387	\$ 743,876	\$ 744,263
County Schools Facilities Fund	119,947	-	-	119,947
Other Governmental Funds	1,112,322	-	-	1,112,322
<b>Total</b>	<b>\$ 1,232,269</b>	<b>\$ 387</b>	<b>\$ 743,876</b>	<b>\$ 1,976,532</b>

Due from the General Fund to the Adult Education Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	167,258
Due from the General Fund to the Cafeteria Special Reserve Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	552,941
Due from the General Fund to the Building Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	22,528
Due from the General Fund to the County School Facility Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	387
Due from the General Fund to the Capital Projects Fund for Blended Component Units for 08/09 transactions posted after the county auditor's funds transfer deadline.	1,149
Due from the Adult Education Fund to the General Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	761,189
Due from the Cafeteria Special Revenue Fund to the General Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	350,593
Due from the County School Facilities Fund to the General Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	119,947
Due from the Capital Projects Fund for Blended Component Units to the General Fund for 08/09 transactions posted after the county auditor's funds transfer deadline.	540
<b>Total</b>	<b>\$ 1,976,532</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 4 – INTERFUND TRANSACTIONS (continued)**

**B. Interfund Transfers**

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

Interfund transfers for the 2008-09 fiscal year are as follows:

	Transfers to Other Funds			Total
	General Fund	Debt Service Fund for Blended Component Units	Other Governmental Funds	
General Fund	\$ -	\$ -	\$ 1,758,835	\$ 1,758,835
Other Governmental Funds	1,294,106	810,000	-	2,104,106
<b>Total</b>	<b>\$ 1,294,106</b>	<b>\$ 810,000</b>	<b>\$ 1,758,835</b>	<b>\$ 3,862,941</b>

Transfer from the General Fund to the Adult Education Fund for funds equivalent to adult education's share of lottery revenue.	\$ 162,177
Transfer from the General Fund to the Cafeteria Special Revenue Fund for supplemental programs flexibility transfer.	575,080
Transfer from the General Fund to the Deferred Maintenance Fund for balance matching contribution.	137,419
Transfer from the General Fund to the Building Fund to close county fund 08, which previously contained the payments for the 1998 Certificates of Participation.	419,430
Transfer from the Deferred Maintenance Fund to the General Fund to reverse 08/09 contribution to deferred maintenance per budget act.	1,758,835
Transfer from the Debt Service Fund for Blended Component Units to the Capital Projects Fund for Blended Component Units for Measure A furniture and equipment allowance.	810,000
<b>Total</b>	<b>\$ 3,862,941</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 5 – FUND BALANCES**

The following amounts were designated by the Board of Education for the purposes below:

	<u>General Fund</u>
Economic Uncertainties	\$ 5,472,456
Tier 3 Categorical Programs:	
Cal Safe Academic	248,725
Cal Safe Child Care	266,030
CBET	40,972
CAHSEE Intensive	254,428
Supplemental Counseling	527,971
GATE	51,047
Instructional Materials	1,115,999
School Safety	1,438
Staff Development	232,479
Principal Training	81,423
Pupil Retention Block Grant	703,128
Teacher Credential BTSA Block	139,423
Target Instructional Improvement Block	761,408
School & Library Improvement Block Grant	997,372
Other SBX34 Sweep including Site Block	1,569,920
IRS Assessment	833,550
FCMAT Implementation	78,965
Total	<u>\$ 13,376,734</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance July 1, 2008	Transfers and Additions	Transfers and Deletions	Balance June 30, 2009
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Site improvements	3,150,146	16,767,158	-	19,917,304
Buildings	439,137,469	62,128,139	-	501,265,608
Equipment	14,810,267	513,094	-	15,323,361
Work-in-process	60,148,155	22,932,106	78,895,297	4,184,964
Totals, at cost	<u>531,682,499</u>	<u>102,340,497</u>	<u>78,895,297</u>	<u>555,127,699</u>
Less accumulated depreciation:				
Site improvements	(516,142)	(665,837)	-	(1,181,979)
Buildings	(115,569,690)	(15,104,637)	-	(130,674,327)
Equipment	<u>(13,509,639)</u>	<u>(330,194)</u>	<u>-</u>	<u>(13,839,833)</u>
Total accumulated depreciation	<u>(129,595,471)</u>	<u>(16,100,668)</u>	<u>-</u>	<u>(145,696,139)</u>
Capital assets, net	<u>\$ 402,087,028</u>	<u>\$ 86,239,829</u>	<u>\$ 78,895,297</u>	<u>\$ 409,431,560</u>

**NOTE 7 – CURRENT LOAN**

Tax and Revenue Anticipation Notes

On November 6, 2008, the District issued Tax and Revenue Anticipation Notes (TRANs) totaling \$14,000,000 which mature on November 20, 2009 with a coupon rate of 2.75% and a yield of 1.24%. The TRANs were issued to provide for anticipated cash flow needs. The TRANs are a general obligation of the District, and are payable from revenues and cash receipts generated by the District during the year ended June 30, 2009.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 8 – GENERAL LONG-TERM DEBT**

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Amounts Due Within One Year
<b>Mello-Roos Bonds:</b>					
Series 2002	\$ 23,785,000	\$ -	\$ 1,165,000	\$ 22,620,000	\$ 1,205,000
Series 2005	14,775,000	-	530,000	14,245,000	550,000
Series 2006	28,445,000	-	1,710,000	26,735,000	1,765,000
Net issuance discount	(25,089)	-	(1,584)	(23,505)	(1,584)
<b>General Obligation Bonds:</b>					
Series 2002	46,030,000	-	1,600,000	44,430,000	1,655,000
Series 2004	109,155,000	-	-	109,155,000	3,285,000
Series 2006	59,600,000	-	220,000	59,380,000	500,000
Net issuance premium	3,846,014	-	182,657	3,663,357	182,657
Certificates of Participation	5,890,000	-	220,000	5,670,000	230,000
Net issuance premium	32,763	-	1,881	30,882	1,881
Construction loan	5,681,925	-	45,777	5,636,148	-
Capitalized lease obligations	9,627,425	-	488,243	9,139,182	510,489
Post-employment healthcare benefits	4,248,777	4,373,933	-	8,622,710	-
Compensated absences	4,203,269	-	644,747	3,558,522	-
<b>Totals</b>	<b><u>\$ 315,295,084</u></b>	<b><u>\$ 4,373,933</u></b>	<b><u>\$ 6,806,721</u></b>	<b><u>\$ 312,862,296</u></b>	<b><u>\$ 9,883,443</u></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 Certificates of Participation are made from the Building 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.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

A. 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 are 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 principal balance as of June 30, 2009 was \$22,620,000.

On June 30, 2005, the District issued Series 2005 Measure “A” Bonds totaling \$15,760,000. A portion of the bond proceeds are 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, 2009 was \$14,245,000.

On June 14, 2006, the District issued Series 2006 Special Tax Refunding Bonds totaling \$29,995,000. A portion of the bond proceeds are 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, 2009 was \$26,735,000.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

A. Mello-Roos Measure “A” Bonds (continued)

The Series 2002, Series 2005 and Series 2006 Measure “A” Bonds are scheduled to mature as follows:

Fiscal Year	Principal	Interest	Total
2009-10	\$ 3,520,000	\$ 2,536,086	\$ 6,056,086
2010-11	3,635,000	2,406,429	6,041,429
2011-12	3,770,000	2,270,530	6,040,530
2012-13	3,905,000	2,127,876	6,032,876
2013-14	4,055,000	1,977,763	6,032,763
2014-2019	22,885,000	7,283,253	30,168,253
2019-2024	19,570,000	2,286,240	21,856,240
2024-2029	2,260,000	74,858	2,334,858
Total	<u>\$ 63,600,000</u>	<u>\$ 20,963,035</u>	<u>\$ 84,563,035</u>

B. General Obligation Measure “C” Bonds

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 principal balance outstanding as of June 30, 2009 is \$44,430,000.

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 principal balance outstanding as of June 30, 2009 is \$109,155,000.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

**B. General Obligation Measure “C” Bonds**

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, 2009 is \$59,380,000.

The Series 2002, 2005 and 2006 Measure “C” Bonds are scheduled to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 5,440,000	\$ 10,336,693	\$ 15,776,693
2010-11	5,930,000	10,057,774	15,987,774
2011-12	6,435,000	9,763,893	16,198,893
2012-13	7,010,000	9,422,549	16,432,549
2013-14	7,270,000	9,061,930	16,331,930
2014-2019	38,440,000	40,122,393	78,562,393
2019-2024	47,390,000	29,823,413	77,213,413
2024-2029	60,790,000	16,763,175	77,553,175
2029-2031	34,260,000	2,181,125	36,441,125
Total	<u>\$ 212,965,000</u>	<u>\$ 137,532,945</u>	<u>\$ 350,497,945</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

C. Certificates of Participation

During the fiscal year ended June 30, 1998, the District issued \$7,760,000 of Certificates of Participation, with interest rates ranging from 4% to 12% maturing through December 2019 for the Mount Diablo Unified School District Education Facilities Project.

The District’s future obligations on the Certificates are as follows:

<u>Fiscal Year</u>	
2009-10	503,653
2010-11	502,958
2011-12	506,445
2012-13	504,159
2013-14	501,266
2014-2019	2,477,033
2019-2024	2,411,375
2024-2026	<u>950,625</u>
Total	<u>8,357,514</u>
Less amount representing interest	(2,687,514)
Net present value of minimum payments	<u>\$ 5,670,000</u>

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, 2009 is \$5,636,148.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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

E. Capitalized Lease Obligations

The District leases computer equipment, copy machines and portable classrooms under agreements which provide for title to pass upon expiration of the lease period.

Future yearly payments on capitalized lease obligation are as follows:

<u>Fiscal Year</u>	
2009-10	926,780
2010-11	926,780
2011-12	926,780
2012-13	926,780
2013-14	926,780
2015-19	4,633,900
2020-23	<u>3,143,983</u>
Total	<u>12,411,783</u>
Less amount representing interest	(3,272,601)
Net present value of minimum payments	<u>\$ 9,139,182</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**  
**June 30, 2009**

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**NOTE 9 – JOINT VENTURES**

The Mount Diablo Unified School District participates in three joint powers agreement (JPA) entities, the Contra Costa County Schools Insurance Group (CCCSIG), Schools Excess Liability Fund, (SELF) and the Schools' Self Insurance of Contra Costa County (SSICCC).

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 Mount Diablo Unified School 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 Mount Diablo Unified School 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 CCCSIG, SELF, and SSICCC can be obtained by contacting each JPA's management. The most currently available condensed financial information for the JPAs is shown below:

	CCCSIG	SELF	SSICCC
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets	\$ 94,005,427	\$ 215,903,000	\$ 4,505,435
Liabilities	\$ 69,346,146	\$ 185,793,000	\$ 929,758
Net Assets	<u>\$ 24,659,281</u>	<u>\$ 30,110,000</u>	<u>\$ 3,575,677</u>
Revenues	\$ 39,472,008	\$ 47,931,000	\$ 14,463,570
Expenses	<u>35,238,615</u>	<u>45,867,000</u>	<u>13,614,207</u>
Operating Income	4,233,393	2,064,000	849,363
Non-Operating Income	4,173,587	-	206,947
Change in Net Assets	<u>\$ 8,406,980</u>	<u>\$ 2,064,000</u>	<u>\$ 1,056,310</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

A. State and Federal Allowances, Awards, and Grants

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

B. Litigation

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

In 2008-09, the District received a judgment of approximately \$2.7 million to \$3.0 million to be awarded to Heathorn, Inc. The District is vigorously defending itself in the litigation. The judgment is currently being litigated in appellate court. If the appellate court upholds the judgment, the District will pay any resulting award in installments over a 10 year period. The appeal process may take several years to resolve. Accordingly, no provision has been made in the District's financial statements as of June 30, 2009.

C. IRS Audit

The District is currently involved in two IRS audits, one involving payroll and the other involving the issuance of bonded debt. The District has reserved the general fund balance in the amount of \$833,550 to cover potential liabilities of the IRS audits. The District's management plan is to reconcile the discrepancies with the IRS. In response, as of September 28, 2009, the IRS had reduced one set of penalties from \$322,488 to \$342.

**NOTE 11 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to the theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2007-08, the District participated in three joint powers authorities (JPA's) for purposes of pooling for risk. There have been no significant decreases in coverage during the year. See Note 9 for more information on the JPA's.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 12 – EMPLOYEE RETIREMENT PLANS**

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

Plan Description and Provisions

**Public Employees’ Retirement System (PERS)**

Plan Description

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

Funding Policy

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

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2008-09	\$ 4,386,622	100%
2007-08	\$ 5,499,056	100%
2006-07	\$ 5,535,810	100%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)**

**State Teachers’ Retirement System (STRS)**

Plan Description

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

Funding Policy

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

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2008-09	\$ 10,954,293	100%
2007-08	\$ 10,972,015	100%
2006-07	\$ 11,198,998	100%

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$5,997,641 to STRS (4.517% of salaries subject to STRS in 2008-09).

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 13 – 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 9). 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.

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS**

Mount Diablo Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision 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.

**Plan Descriptions and Contribution Information**

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	807
Active plan members	3,306
Total	<u>4,113</u>
* As of May 1, 2008 actuarial valuation	
Number of participating employers	1

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.

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 2008-09, the District contributed \$3,882,275.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (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:

	<u>Amount</u>
Annual required contribution (ARC)	\$ 8,043,769
Interest on net OPEB obligation	212,439
Adjustment to ARC	-
Annual OPEB cost	<u>8,256,208</u>
Contributions made:	
Pay-as-you-go amount	<u>3,882,275</u>
Total contributions made	<u>3,882,275</u>
Increase (decrease) in net OPEB obligation	4,373,933
Net OPEB obligation - July 1, 2008	<u>4,248,777</u>
Net OPEB obligation - June 30, 2009	<u><u>\$ 8,622,710</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008-09 are as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
<u>2009</u>	<u>\$ 8,043,769</u>	<u>48%</u>	<u>\$ 8,622,710</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

Funded Status and Funding Progress – OPEB Plans

As of June 3, 2008, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$71.0 million and the unfunded actuarial accrued liability (UAAL) was \$71.0 million.

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, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 designated 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	28
Actuarial Assumptions:	
Discount rate	5.0%
Inflation rate	3.0%
Long-term Healthcare Cost Trend Rate	4.0%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 15 – EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures in excess of appropriations in the general fund for the fiscal year 2008-09 were as follows:

General Fund:

Classified salaries	\$	1,365,032
Other outgo		107,668

**NOTE 16 – RESTATEMENT**

The District's beginning net asset and fund balances were restated by \$386,044 to separately report the Eagle Peak Montessori Charter School as a non-profit public benefit corporation, which is not included in the District's financial statements.

**NOTE 17 – SUBSEQUENT EVENTS**

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

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-10 re-appropriation should not be accrued. No adjustment has been made to reduce revenue and the related receivable in the financial statements as of June 30, 2009 because the amount of the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package is not deemed to be material to the District's financial statements.

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*Required Supplementary Information*

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Budgetary Comparison Schedule – General Fund**  
**For the Fiscal Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Pos (Neg)</b>
<b>Revenues</b>				
Revenue limit sources	\$ 193,888,662	\$ 181,791,234	\$ 189,408,555	\$ 7,617,321
Federal	14,374,970	33,149,905	28,669,803	(4,480,102)
Other state	64,932,206	69,191,914	71,881,127	2,689,213
Other local	6,640,021	13,565,285	10,126,725	(3,438,560)
Total Revenues	279,835,859	297,698,338	300,086,210	2,387,872
<b>Expenditures</b>				
Certificated salaries	134,620,012	138,710,610	136,088,465	2,622,145
Classified salaries	43,995,221	44,194,057	45,559,089	(1,365,032)
Employee benefits	52,872,412	53,681,909	52,315,375	1,366,534
Books and supplies	13,925,311	36,548,448	10,452,524	26,095,924
Services and other operating expenditures	36,994,839	40,945,181	38,009,866	2,935,315
Capital outlay	3,080,836	3,519,465	2,229,786	1,289,679
Direct support/indirect costs	1,455,622	(658,634)	(612,867)	45,767
Other outgo	(641,384)	2,913,792	3,021,460	(107,668)
Total Expenditures	286,302,869	319,854,828	287,063,698	32,882,664
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,467,010)	(22,156,490)	13,022,512	35,270,536
<b>Other Financing Sources and Uses</b>				
Interfund transfers in	39,565	-	1,758,835	1,758,835
Interfund transfers out	(1,647,958)	(802,492)	(1,294,106)	(491,614)
Total Other Financing Sources and Uses	(1,608,393)	(802,492)	464,729	1,267,221
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,075,403)	(22,958,982)	13,487,241	36,537,757
Fund Balances, July 1, 2008	33,729,884	33,729,884	33,729,884	-
Fund Balances, June 30, 2009	\$ 25,654,481	\$ 10,770,902	\$ 47,217,125	\$ 36,537,757

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedules of Funding Progress**  
**For the Fiscal Year Ended June 30, 2009**

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
5/1/2008	\$ -	\$ 71,018,299	\$ 71,018,299	0%	\$ 191,822,548	37%

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*Supplementary Information Section*

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Combing Balance Sheet – All Non-Major Funds**  
**June 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>								
Cash	\$ 148,431	\$ 473,093	\$ 1,350,658	\$ 5,476,818	\$ 645,622	\$ 154,297	\$ 9,051,191	\$ 17,300,110
Investments	610,468	697,245	864,830	-	2,187,511	2,034,894	-	6,394,948
Accounts receivable	1,610,635	887,514	6,160	6,655	9,026	8,229	7,598	2,535,817
Inventories	-	128,782	-	-	-	-	-	128,782
Due from other funds	167,259	552,941	-	22,528	-	1,149	-	743,877
Total Assets	<u>\$ 2,536,793</u>	<u>\$ 2,739,575</u>	<u>\$ 2,221,648</u>	<u>\$ 5,506,001</u>	<u>\$ 2,842,159</u>	<u>\$ 2,198,569</u>	<u>\$ 9,058,789</u>	<u>\$ 27,103,534</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 45,451	\$ 257,590	\$ 52,261	\$ 18,341	\$ 88,694	\$ 17,872	\$ -	\$ 480,209
Due to other funds	761,189	350,593	-	-	-	540	-	1,112,322
Total Liabilities	<u>806,640</u>	<u>608,183</u>	<u>52,261</u>	<u>18,341</u>	<u>88,694</u>	<u>18,412</u>	<u>-</u>	<u>1,592,531</u>
<b>Fund Balances</b>								
Reserved for:								
Inventories	-	128,782	-	-	-	-	-	128,782
Debt service	-	-	-	-	-	-	9,058,789	9,058,789
Unreserved:								
Capital projects funds	-	-	-	5,487,660	2,753,465	2,180,157	-	10,421,282
Special revenue funds	1,730,153	2,002,610	2,169,387	-	-	-	-	5,902,150
Total Fund Balances	<u>1,730,153</u>	<u>2,131,392</u>	<u>2,169,387</u>	<u>5,487,660</u>	<u>2,753,465</u>	<u>2,180,157</u>	<u>9,058,789</u>	<u>25,511,003</u>
Total Liabilities and Fund Balances	<u>\$ 2,536,793</u>	<u>\$ 2,739,575</u>	<u>\$ 2,221,648</u>	<u>\$ 5,506,001</u>	<u>\$ 2,842,159</u>	<u>\$ 2,198,569</u>	<u>\$ 9,058,789</u>	<u>\$ 27,103,534</u>



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Combing Statement of Revenues, Expenditures and Change in Fund balance– All Non-Major**  
**Funds**  
**For the Fiscal Year Ended June 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>								
General Revenues:								
Federal and state aid not restricted to specific purpose	\$ 5,679,469	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ 15,607,351	\$ 21,886,820
Earnings on investments	16,052	-	-	68,370	56,580	52,866	45,820	239,688
Miscellaneous	1,414,048	-	-	5,000	867,773	12,500	-	2,299,321
Program Revenues:								
Charges for services	-	4,463,045	-	-	-	-	-	4,463,045
Operating grants and contributions	1,128,819	6,446,292	1,277,877	-	-	-	-	8,852,988
<b>Total Revenues</b>	<b>8,238,388</b>	<b>11,509,337</b>	<b>1,277,877</b>	<b>73,370</b>	<b>924,353</b>	<b>65,366</b>	<b>15,653,171</b>	<b>37,741,862</b>
<b>EXPENDITURES</b>								
Instructional Services:								
Instruction	4,678,931	-	-	-	-	-	-	4,678,931
Supervision of instruction	619,546	-	-	-	-	-	-	619,546
Instructional library, media and technology	90,765	-	-	-	-	-	-	90,765
School site administration	1,835,379	-	-	-	-	-	-	1,835,379
Pupil Support Services:								
Food services	-	10,711,990	-	-	-	-	-	10,711,990
All other pupil services	18,553	-	-	-	-	-	-	18,553
General Administration Services:								
Other general administration	228,671	383,014	-	-	14,498	-	-	626,183
Plant services	809,854	836,753	93	-	-	1,076,480	-	2,723,180
Facility acquisition and construction	-	-	1,786,197	3,657,876	537,854	1,330,351	-	7,312,278
Community services	88,895	-	-	-	-	-	-	88,895
Other outgo:								
Debt service - principal	-	-	-	-	45,777	-	1,820,000	1,865,777
Debt service - interest	-	-	-	-	-	-	7,778,071	7,778,071
Issuance costs and discounts	-	-	-	-	-	14,900	-	14,900
<b>Total Expenditures</b>	<b>8,370,594</b>	<b>11,931,757</b>	<b>1,786,290</b>	<b>3,657,876</b>	<b>598,129</b>	<b>2,421,731</b>	<b>9,598,071</b>	<b>38,364,448</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,206)	(422,420)	(508,413)	(3,584,506)	326,224	(2,356,365)	6,055,100	(622,586)
<b>OTHER FINANCING SOURCES (USES)</b>								
Interfund transfers in	162,176	575,080	137,419	419,431	-	810,000	-	2,104,106
Interfund transfers out	-	-	(1,758,835)	-	-	-	-	(1,758,835)
<b>Total Other Financing Sources and Uses</b>	<b>162,176</b>	<b>575,080</b>	<b>(1,621,416)</b>	<b>419,431</b>	<b>-</b>	<b>810,000</b>	<b>-</b>	<b>345,271</b>
<b>Net Change in Fund Balances</b>	<b>29,970</b>	<b>152,660</b>	<b>(2,129,829)</b>	<b>(3,165,075)</b>	<b>326,224</b>	<b>(1,546,365)</b>	<b>6,055,100</b>	<b>(277,315)</b>
Fund Balances, July 1, 2008	1,700,183	1,978,732	4,299,216	8,652,735	2,427,241	3,726,522	3,003,689	25,788,318
<b>Fund Balances, June 30, 2009</b>	<b>\$ 1,730,153</b>	<b>\$ 2,131,392</b>	<b>\$ 2,169,387</b>	<b>\$ 5,487,660</b>	<b>\$ 2,753,465</b>	<b>\$ 2,180,157</b>	<b>\$ 9,058,789</b>	<b>\$ 25,511,003</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Combing Statement of Changes in Assets and Liabilities – All Agency Funds**  
**June 30, 2009**

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	<u>Bridge School</u>	<u>Diablo Community Day School</u>	<u>Adult Education</u>	<u>Shadelands PreSchool</u>	<u>Gateway NS High School</u>	<u>TOTAL</u>
<b>ASSETS</b>						
Cash on hand and in banks	\$ 1,230	\$ 489	\$ 8,366	\$ 3,948	\$ 15	\$ 14,048
Total Assets	<u>\$ 1,230</u>	<u>\$ 489</u>	<u>\$ 8,366</u>	<u>\$ 3,948</u>	<u>\$ 15</u>	<u>\$ 14,048</u>
<b>LIABILITIES</b>						
Due to student groups	\$ 1,230	\$ 489	\$ 8,366	\$ 3,948	\$ 15	\$ 14,048
Total Liabilities	<u>\$ 1,230</u>	<u>\$ 489</u>	<u>\$ 8,366</u>	<u>\$ 3,948</u>	<u>\$ 15</u>	<u>\$ 14,048</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Combing Statement of Changes in Assets and Liabilities - All Agency Funds (continued)**  
**June 30, 2009**

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	Westwood Elementary School	Sunrise Elementary School	Bel Air Elementary School	Delta View Elementary School	El Monte Elementary School	Fair Oaks Elementary School	Gregory Gardens Elementary School	Hidden Valley Elementary School	Highlands Elementary School	Holbrook Elementary School	TOTAL
<b>ASSETS</b>											
Cash on hand and in banks	\$ 2,180	\$ 1,385	\$ 6,144	\$ 3,518	\$ 256	\$ 868	\$ 720	\$ 2,346	\$ 5,585	\$ 2,753	\$ 25,757
Total Assets	<u>\$ 2,180</u>	<u>\$ 1,385</u>	<u>\$ 6,144</u>	<u>\$ 3,518</u>	<u>\$ 256</u>	<u>\$ 868</u>	<u>\$ 720</u>	<u>\$ 2,346</u>	<u>\$ 5,585</u>	<u>\$ 2,753</u>	<u>\$ 25,757</u>
<b>LIABILITIES</b>											
Due to student groups	\$ 2,180	\$ 1,385	\$ 6,144	\$ 3,518	\$ 256	\$ 868	\$ 720	\$ 2,346	\$ 5,585	\$ 2,753	\$ 25,757
Total Liabilities	<u>\$ 2,180</u>	<u>\$ 1,385</u>	<u>\$ 6,144</u>	<u>\$ 3,518</u>	<u>\$ 256</u>	<u>\$ 868</u>	<u>\$ 720</u>	<u>\$ 2,346</u>	<u>\$ 5,585</u>	<u>\$ 2,753</u>	<u>\$ 25,757</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Combing Statement of Changes in Assets and Liabilities - All Agency Funds (continued)**  
**June 30, 2009**

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	Meadow Homes Elementary School	Mt Diablo Elementary School	Pleasant Hill Elementary School	Rio Vista Elementary School	Sequoia Elementary	Shores Acres Elementary School	Strandwood Elementary School	Sun Terrace Elementary School	Walnut Acres Elementary School	TOTAL
<b>ASSETS</b>										
Cash on hand and in banks	\$ 799	\$ 7,242	\$ 2,463	\$ 4,875	\$ 2,268	\$ 2,246	\$ 2,953	\$ 3,516	\$ 4,776	\$ 31,138
Total Assets	<u>\$ 799</u>	<u>\$ 7,242</u>	<u>\$ 2,463</u>	<u>\$ 4,875</u>	<u>\$ 2,268</u>	<u>\$ 2,246</u>	<u>\$ 2,953</u>	<u>\$ 3,516</u>	<u>\$ 4,776</u>	<u>\$ 31,138</u>
<b>LIABILITIES</b>										
Due to student groups	\$ 799	\$ 7,242	\$ 2,463	\$ 4,875	\$ 2,268	\$ 2,246	\$ 2,953	\$ 3,516	\$ 4,776	\$ 31,138
Total Liabilities	<u>\$ 799</u>	<u>\$ 7,242</u>	<u>\$ 2,463</u>	<u>\$ 4,875</u>	<u>\$ 2,268</u>	<u>\$ 2,246</u>	<u>\$ 2,953</u>	<u>\$ 3,516</u>	<u>\$ 4,776</u>	<u>\$ 31,138</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Combing Statement of Changes in Assets and Liabilities - All Agency Funds (continued)**  
**June 30, 2009**

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	Diablo View Middle School	El Dorado Middle School	Foothill Middle School	Glenbrook Middle School	Oak Grove Middle School	Pine Hollow Middle School	Pleasant Hill Middle School	Riverview Middle School	Sequoia Middle School	Valley View Middle School	TOTAL
<b>ASSETS</b>											
Cash on hand and in banks	\$42,645	\$ 14,602	\$ 26,524	\$22,678	\$3,710	\$ 10,217	\$ 17,656	\$ 16,283	\$ 34,729	\$ 18,465	\$ 207,511
Total Assets	<u>\$42,645</u>	<u>\$ 14,602</u>	<u>\$ 26,524</u>	<u>\$22,678</u>	<u>\$3,710</u>	<u>\$ 10,217</u>	<u>\$ 17,656</u>	<u>\$ 16,283</u>	<u>\$ 34,729</u>	<u>\$ 18,465</u>	<u>\$ 207,511</u>
<b>LIABILITIES</b>											
Due to student groups	\$42,645	\$ 14,602	\$ 26,524	\$22,678	\$3,710	\$ 10,217	\$ 17,656	\$ 16,283	\$ 34,729	\$ 18,465	\$ 207,511
Total Liabilities	<u>\$42,645</u>	<u>\$ 14,602</u>	<u>\$ 26,524</u>	<u>\$22,678</u>	<u>\$3,710</u>	<u>\$ 10,217</u>	<u>\$ 17,656</u>	<u>\$ 16,283</u>	<u>\$ 34,729</u>	<u>\$ 18,465</u>	<u>\$ 207,511</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Combing Statement of Changes in Assets and Liabilities – All Agency Funds (continued)**  
**June 30, 2009**

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	Clayton Valley High School	College Park High School	Concord High School	Crossroads High School	Mount Diablo High School	Northgate High School	Nueva Vista High School	Olympic High School	Summit High School	Ygnacio Valley High School	TOTAL
<b>ASSETS</b>											
Cash on hand and in banks	\$308,422	\$ 341,414	\$ 69,815	\$1,956	\$128,825	\$294,519	\$ 161	\$6,485	\$ 94	\$98,889	\$ 1,250,580
Total Assets	<u>\$308,422</u>	<u>\$ 341,414</u>	<u>\$ 69,815</u>	<u>\$1,956</u>	<u>\$128,825</u>	<u>\$294,519</u>	<u>\$ 161</u>	<u>\$6,485</u>	<u>\$ 94</u>	<u>\$98,889</u>	<u>\$ 1,250,580</u>
<b>LIABILITIES</b>											
Due to student groups	\$308,422	\$ 341,414	\$ 69,815	\$1,956	\$128,825	\$294,519	\$ 161	\$6,485	\$ 94	\$98,889	\$ 1,250,580
Total Liabilities	<u>\$308,422</u>	<u>\$ 341,414</u>	<u>\$ 69,815</u>	<u>\$1,956</u>	<u>\$128,825</u>	<u>\$294,519</u>	<u>\$ 161</u>	<u>\$6,485</u>	<u>\$ 94</u>	<u>\$98,889</u>	<u>\$ 1,250,580</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Local Educational Agency Organization Structure**  
**June 30, 2009**

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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, ten middle schools, and six high schools. This District also maintains four special education schools, one continuation education high school, six necessary small continuation education high schools and an adult education program.

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.

<u>GOVERNING BOARD</u>		
<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Gary Eberhart	President	December 2012
Paul Strange	Vice-President	December 2010
Richard Allen	Member	December 2010
Linda Mayo	Member	December 2010
Sherry Whitmarsh	Member	December 2012

DISTRICT ADMINISTRATORS

Richard Nicoll, Ph.D.  
*Interim Superintendent*

Alan E. Young, Ed.D.  
*Assistant Superintendent-Educational Services*

Pete Pedersen  
*Assistant Superintendent- Administrative Services*

Rose Lock  
*Assistant Superintendent-Elementary Services*

Gail Isserman  
*Assistant Superintendent-Personnel Services*

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

Gregory J. Rolen, Esq.  
*General Counsel*

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Average Daily Attendance**  
**For the Fiscal Year Ended June 30, 2009**

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>Elementary:</b>		
Kindergarten	2,477	2,471
Grades 1 through 6, regular classes	14,643	14,601
Grades 7 and 8, regular classes	4,913	4,885
Home and hospital	28	32
Community day school	6	7
Special education	768	774
	<u>22,835</u>	<u>22,770</u>
<b>Total Elementary</b>		
<b>Secondary:</b>		
Grades 9 through 12, regular classes	9,191	9,079
Continuation education	469	453
Home and hospital	51	55
Community day school	16	17
Opportunity schools and full-day opportunity classes	38	37
Special education	541	517
	<u>10,306</u>	<u>10,158</u>
<b>Total Secondary</b>		
<b>Classes for Adults:</b>		
Not concurrently enrolled	91	94
Adults enrolled, state apportioned	2,386	2,450
Students 21 years or older & students 19 years or older not continuously enrolled since their 18th birthday, participating in full-time independent study	16	16
	<u>2,493</u>	<u>2,560</u>
<b>Total Adult Classes</b>		
<b>Total Average Daily Attendance</b>	<u><u>35,634</u></u>	<u><u>35,488</u></u>
	<u>Hours of Attendance</u>	
<u>Supplemental Instruction Hours</u>		
Elementary	429,617	
High School	224,347	

See accompanying note to supplementary information.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Instructional Time**  
**For the Fiscal Year Ended June 30, 2009**

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Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement		Traditional Calendar	Multi-track Year Round	
Kindergarten	31,680	36,000	36,000	180	175	Complied
Grade 1	48,840	50,400	50,510	180	175	Complied
Grade 2	48,840	50,400	50,510	180	175	Complied
Grade 3	48,840	50,400	54,100	180	175	Complied
Grade 4	52,120	54,000	56,820	180	175	Complied
Grade 5	52,120	54,000	56,820	180	175	Complied
Grade 6	52,120	54,000	56,820	180	175	Complied
Grade 7	56,700	54,000	56,820	180	175	Complied
Grade 8	56,700	54,000	56,820	180	175	Complied
Grade 9	56,060	64,800	65,376	180	175	Complied
Grade 10	56,060	64,800	65,376	180	175	Complied
Grade 11	56,060	64,800	65,376	180	175	Complied
Grade 12	56,060	64,800	65,376	180	175	Complied

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Financial Trends and Analysis**  
**For the Fiscal Year Ended June 30, 2009**

General Fund	(Budget) 2010***	2009	2008	2007	2006
Revenues and other financing sources	\$ 266,808,069	\$ 301,845,045	\$ 300,635,903	\$ 302,997,648	\$ 268,623,917
Expenditures	267,212,953	287,063,698	298,596,706	290,845,862	262,419,489
Other uses and transfers out	6,409,846	1,294,106	2,105,819	2,203,780	2,098,250
Total outgo	273,622,799	288,357,804	300,702,525	293,049,642	264,517,739
Change in fund balance (deficit)	(6,814,730)	13,487,241	(66,622)	9,948,006	4,106,178
Ending fund balance	\$ 40,402,395	\$ 47,217,125	\$ 33,729,884	\$ 33,796,506	\$ 23,848,500
Available reserves*	\$ 17,684,304	\$ 15,759,922	\$ 13,283,094	\$ 8,672,543	\$ 8,170,313
Designated for economic uncertainties	\$ 5,472,456	\$ 5,472,456	\$ 5,992,757	\$ 5,805,485	\$ 5,249,668
Undesignated fund balances	\$ 12,211,848	\$ 10,287,466	\$ 7,290,337	\$ 2,867,058	\$ 2,920,645
Available reserves as a percentage of total outgo	6.5%	5.5%	4.4%	3.0%	3.1%
Total long-term debt	\$ 302,978,853	\$ 312,862,296	\$ 315,295,084	\$ 316,660,852	\$ 354,741,887
Average daily attendance at P-2**	33,155	33,155	33,357	33,523	34,240

The General Fund balance has increased by \$23.3 million over the past three years, \$13.2 million in which was one-time federal stimulus funds received in 2008-09. The fiscal year 2008-09 adopted budget projects a decrease of \$6,814,730. ADA has decreased 1,085 over the past three years. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo). Long-term debt has decreased \$41,879,591 over the past three years.

\* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund or Special Reserve Fund (Other than Capital Outlay).

\*\* Excludes Adult Education ADA.

\*\*\* Revised Final Budget September 2009.

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Programs:</b>			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
National School Lunch	10.555	13391	\$ 4,300,657
National School Breakfast	10.553	13390	54,679
Especially Needy Breakfast	10.553	13526	1,209,692
Meal Supplements	10.556	13392	247,765
Nutrition Network	10.561	N/A	288,218
USDA Commodities (non-cash assistance)	10.565	13389	<u>272,277</u>
Total U.S. Department of Agriculture			<u>6,373,288</u>
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB):			
Title I, Part A, Basic Grants	84.010	14329	3,827,151
Title I, Part A, School Improvement SAIT	84.010	14417	17,558
Title I, Part B, Reading First	84.357	14328	150,080
Title I, Part D, Local Delinquent Programs	84.010	14357	14,133
Title II, Part D Enhancing Education Through Technology (EETT)	84.318	14334	35,040
Title II, Part A Improving Teacher Quality	84.367	14341	1,021,741
Title III, Limited English Proficiency	84.365	10084	558,401
Title III, Immigrant Education Program	84.365	14346	193,118
Title IV, Safe and Drug Free Schools	84.186	14347	179,779
Title IV, 21st Century Community Learning Centers Technical Assistance	84.287	14350	7,326
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	347,219
Title V, Innovative Education	84.298A	14354	11,944
Title V, Part B, Public Charter School Grants	84.282	14959	206,942
Pell Grants	84.063	N/A	226,554
Adult Education: Adult Basic Education & ESL	84.002A	14508	361,829
Adult Education: Adult Secondary Education	84.002	13978	25,531
Adult Education: English Literacy & Civics Education	84.002A	14109	162,796
Vocational Programs	84.048	13924	202,448
Teaching American History	84.215X	N/A	380,288
Individuals with Disabilities Education Act (IDEA):			
IDEA Quality Assurance & Focused Monitoring, Part B	84.027	13693	72,468
Special Ed: Alternative Dispute Resolution	84.027	13007	15,000
IDEA State Improvement Grant, Improving Special Ed Systems	84.323	14577	15,308
Preschool Grants	84.173	13430	244,148
Preschool Staff Development	84.173A	13431	574
Early Intervention Grants	84.181	23761	161,463
Preschool Local Entitlements, Part B	84.027A	13682	325,007
Basic Local Assistance Entitlement, Part B	84.027	13379	<u>6,410,144</u>
Total U.S. Department of Education			<u>15,173,990</u>
U.S. Department of Defense:			
J.R.O.T.C.	12.UNKNOWN	N/A	<u>116,777</u>
Total U.S. Department of Defense			<u>116,777</u>
U.S. Department of Health & Human Services:			
Passed through California Dept. of Education:			
Child Development: Quality Improvement	93.575	13979	3,542
Passed through California Dept of Health Services:			
Medi-Cal Billing Option	93.778	10013	348,640
Med-Cal Administrative Activities (MAA)	93.778	10060	<u>403,084</u>
Total U.S. Department of Health & Human Services			<u>755,266</u>
Total Expenditures of Federal Awards			<u>\$ 22,419,321</u>

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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	Charter School Fund
	<u>                    </u>
June 30, 2009, annual financial and budget report (SACS) fund balances	\$ 660,269
Adjustments and reclassifications:	
Decreasing reported fund balance for separately reported non-profit charter school	<u>(660,269)</u>
Net adjustments and reclassifications	<u>(660,269)</u>
June 30, 2009, audited financial statement fund balances	<u><u>\$ -</u></u>

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Charter Schools**  
**For the Fiscal Year Ended June 30, 2009**

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<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Eagle Peak Montessori Charter School	Not included

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Note to the Supplementary Information**  
**June 30, 2009**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**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 requirement, whichever is greater, as required by Education Code section 46201.

**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.

**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.

**Sub recipients**

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to sub recipients.

**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 Unaudited Actual Financial Report to the audited financial statements.

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*Other Independent Auditors' Reports*

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A Professional  
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Board of Trustees  
Mount Diablo Unified School District  
Concord, California

**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**

We have audited the financial statements of Mount Diablo Unified School District as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated November 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2009-1 through #2009-3 to be significant deficiencies in internal control over financial reporting.



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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2009-4.

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 District's responses and, accordingly, we express no opinion on them.

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



San Diego, California

November 14, 2009



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Concord, California

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

### Compliance

We have audited the compliance of Mount Diablo Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. Mount Diablo Unified School District's major federal programs are identified in the summary of auditors' 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 on Mount Diablo Unified School District's compliance with those requirements.

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

## Internal Control Over Compliance

The management of Mount Diablo Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mount Diablo Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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



San Diego, California

November 14, 2009



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Concord, California

## AUDITORS' REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Mount Diablo Unified School District, as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated November 14, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Not applicable <sup>1</sup>
Regional Occupational Centers and Programs	6	Not applicable <sup>1</sup>
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	No, see below
Morgan-Hart Class Size Reduction Program	7	Not applicable <sup>1</sup>

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	1 <sup>2</sup>
K-8 only	1	Not applicable <sup>1</sup>
Grades 9-12 only	1	Not applicable <sup>1</sup>
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not applicable <sup>1</sup>
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable <sup>3</sup>
Mode of Instruction	1	Not applicable <sup>3</sup>
Nonclassroom-Based Instruction/Independent Study	15	Not applicable <sup>3</sup>
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable <sup>3</sup>
Annual Instructional Minutes – Classroom Based	3	Not applicable <sup>3</sup>

<sup>1</sup> This program is not required to be audited per flexibility provisions in SBx3 4.

<sup>2</sup> The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

<sup>3</sup> For procedures performed for the Charter School: Eagle Peak Montessori, please see the separate audit report filed by the Charter School.

We did not audit the community day school program as community day school ADA was below materiality.

Based on our audit, we found that, for the items tested, the Mount Diablo Unified School District complied with the state laws and regulations referred to above, except as noted in the accompanying schedule of findings and questioned costs as items #2009-4 and #2009-5. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Mount Diablo Unified School District had not complied with the state laws and regulations, except as noted in the accompanying schedule of findings and questioned costs as items #2009-4 and #2009-5.

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

*Nigro Nigro & White, PC*

San Diego, California  
November 14, 2009

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*Findings and Questioned Costs Section*

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2009**

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements or other data significant to the audit noted?	<u>Yes</u>

*Federal Awards*

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>10.561</u>	<u>Nutrition Network</u>
	<u>No Child Left Behind Act (NCLB)</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.367</u>	<u>NCLB: Title II, Part A - Improving Teacher Quality</u>
<u>84.365</u>	<u>NCLB: Title III - Limited English Proficiency</u>
<u>84.357</u>	<u>NCLB: Title I, Part B - Reading First Program</u>
<u>93.778</u>	<u>Medi-Cal</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 672,580</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(s) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for state programs:	<u>Qualified</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2009**

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**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**Finding #2009-1: Associated Student Body Internal Controls (30000)**

We audited a sampling of nine student body funds at District school sites to test internal control procedures over: cash disbursements, cash receipts, inventory, and minutes of meetings. A detailed list of the findings by school site was provided to the District. We did not find any improprieties, but lack of sound internal controls provides an opportunity for irregularities that might go undetected. A summary of the most common internal control deficiencies we observed is listed below:

- Lack of segregation of duties, e.g., bookkeeper is also the signer on the bank account.
- Budgets and revenue potentials are not used.
- Lack of adequate backup on cash receipts found, e.g., ticket reconciliations, receipts, evidence of timely deposit.
- Expenditures are lacking proper approval and/or invoice.

**Recommendation:** 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’s Corrective Action Plan:** The District concurs with the finding. Training for ASB staff was held at the Contra Costa County Office of Education in November, 2009. The District will review the feasibility of changing the signers on the accounts so that site staff members other than the treasurer are responsible for signing the checks.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2009**

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**Section II – Financial Statement Findings (continued)**

**Finding #2009-2: Internal Audit and Audit Committee (30000)**

The internal audit function in the District does not appear to have been effectively organized in the past and is being eliminated as of June 30, 2009. However, in a large district these functions are an important part of the internal control structure, if properly organized and staffed appropriately. The internal auditor should report to a board approved committee and/or the Superintendent thus providing independence from the business functions. Areas of internal audit focus would typically include: compliance monitoring, audits of high fraud risks, special financial audits and performance audits.

**Recommendation:** We recommend that the District consider restructuring the internal audit function to effectively monitor compliance and internal controls.

**District's Corrective Action Plan:** The position of internal auditor was eliminated due to the severe budget cuts from the State of California. The District is not in a financial position to reinstate the position at this time. Review of fiscal compliance issues in areas commonly handled by the Internal Auditor is now being handled by the Fiscal Services staff.

**Finding #2009-3: Cash Clearing Accounts (30000)**

**Criteria:** Internal controls and safeguarding of assets require proper accountability for District cash accounts.

**Conditions:** The District has approximately 50 cash clearing banks accounts at various school sites that are not recorded in the District's General Ledger as of June 30, 2009. In some instances, these accounts are used to handle non-District funds such as student body and parent-teacher organization receipts.

**Effect:** It is unknown the amount the District is understating the cash balance because no bank statements or bank reconciliations were provided.

**Cause:** Each school site has a clearing account that they use to deposit money received for a variety of reasons. The balances should be remitted to the District at the end of each month so the balances are zero at year end. However, the school sites are not always clearing the accounts in a timely manner and there are no controls to ensure proper reconciliation and recording of the account balances at year end.

**Recommendation:** The district should record all accounts as of the end of the school year. The June 30 bank statements and reconciliation should also be forwarded to the District at year end to ensure that any remaining balances are recorded on the District's General Ledger. These accounts should never be used for non-district funds. The Board should adopt policies related to the handling of these accounts.

**District's Corrective Action Plan:** The District concurs with the finding. A district office employee is collecting the statements and reconciliations from the sites. The sites have been instructed not to commingle non-district funds with District funds. This was reiterated at the training for treasurers held at the Contra Costa County Office of Education noted in finding #1.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2009**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings and questioned costs in 2008-09.*

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2009**

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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

**Finding #2009-4: Short-Term Independent Study (40000)**

**Criteria:** Section 51747 of the Education Code requires Independent Study contracts to be supported by proper documentation in conformity with State law.

**Condition:** In testing short-term independent study (i.e., used for pupils temporarily availing themselves of the program while returning to a seat in their classroom), we found a streamlined master agreement is used for short term study independent study which does not include a place to indicate the date the contract was signed as required by EC Section 51747(c)(8). Note: no omissions were found in the master agreement for long-term independent study.

**Cause:** The agreement lacks a date line.

**Effect:** The District claimed ADA for non-compliant contracts.

**Questioned Costs:** There is no questioned cost as the District revised the P-2 and annual attendance reports and removed the amounts of 14.19 ADA from the P-2 attendance report and 12.20 ADA from the annual attendance report for the inappropriate ADA claimed.

**Recommendation:** The District needs to revise 2008-09 P-2 and Annual attendance reports to exclude the days inappropriately claimed for ADA.

We also recommend the master agreement for short-term independent study be revised and more training be provided in the proper completion of the contracts. The main error was not signing and dating the contract prior to the commencement of the work. But, we also found instances where the work sample was not attached to the contract, as required by law, and yet apportionment was claimed.

**District's Corrective Action Plan:** As noted in the finding the District has already amended the P-2 and Annual Revenue Limits for the error. Site staff has been instructed to get dates for all signatures on independent study contracts and to retain necessary work samples and district attendance staff is reviewing compliance with this rule. A new form is being implemented that will include specific date blocks next to all signature lines.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2009**

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**Section IV – State Award Findings and Questioned Costs (continued)**

**Finding #2009-5: School Accountability Report Card (72000)**

**State Program:** Compliance with Williams Act requirements.

**Criteria:** School facilities conditions assessments as indicated in a school's annual School Accountability Report Card 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. Auditors are required to verify compliance in Section 19837.1 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

**Condition:** Five out of 18 School Accountability Report Cards (SARC) had complaints on facilities and teacher misassignments that did not get reported as a result. Five schools did not have sufficient textbooks per the board resolution in 2007-08 and it was not reported in the school's SARCs. Updating annually and fully reporting complaints is a requirement of the Williams Act.

**Cause:** A School Accountability Report Card was not published in 2008-09 to reflect the data for 2007-08. Cause unknown.

**Fiscal Impact:** None.

**Effect:** The 2007-08 School Accountability Report Cards did not contain all required elements.

**Recommendation:** We recommend that a process be put into place to ensure that all school site complaints be reported in the SARC.

**District's Corrective Action Plan:** The current cards have been posted on the web. A review of the required elements and the notes of this finding regarding SARC preparation will be held with the staff members and consultants used in SARC preparation.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2009**

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Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding #2008-1: Capital Assets</i>	<p><b>Criteria:</b> Best practices for Internal controls and District policies and procedures.</p> <p><b>Condition:</b> The District did not reconcile its capital asset inventory records during the year, which would include a detail listing of land, buildings, improvements, equipment, work-in-progress, and accumulated depreciation, including additions and deletions. As a result, capital assets, as originally presented to the auditors was misstated by \$1,777,186.</p>	30000	<p>Capital asset additions should be reconciled between the detail schedules and the general ledger capital outlay expenditures at the end of the fiscal year. In addition, work-in-progress should be tracked to ensure that when projects are completed, they are removed from work-in-progress, added to buildings and/or improvements and depreciation expense is calculated from the date the asset is placed into service.</p>	Implemented

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2009**

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Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding #2008-2: Associated Student Body</i>	<p><b>Criteria:</b> Education Code Section 48930 requires student body organizations to follow the regulations set by the Governing Board of the school district..</p> <p><b>Condition:</b></p> <ul style="list-style-type: none"> <li>• At Bridge Program, receipts were not issued when funds were collected by the activity organizer or teacher. Additionally, there was no schedule provided to indicate units sold and price per item to support cash submitted for deposit.</li> <li>• At Westwood Elementary School, no receipt was issued for donations received. There was no documentation to support that cash receipts were counted in dual custody. Lastly, there were not proper authorization forms to document approval of expenditures.</li> <li>• At Pleasant Hill Middle School, receipts were not issued when funds were collected by the activity organizer or teacher. Cash was not counted in dual custody when the deposit was submitted.</li> <li>• At Ygnacio Valley High School, receipts were not issued upon initial sale of items at the student store. There was no schedule to indicate units sold and price per item to support cash submitted for deposit. Lastly, profit and loss statements were not prepared for the student store.</li> <li>• At Sequoia Middle School, no schedule was provided to indicate units sold and price per item to support cash submitted for deposit. There was no proper authorization form used to document the approval of fundraising activities.</li> </ul>	30000	<ul style="list-style-type: none"> <li>• A receipt should be issued when money is collected.</li> <li>• Proper supporting documentation that indicates number of items sold and price per item should accompany funds submitted for deposit.</li> <li>• Receipt books or other supporting documentation should be used to record initial receipt of donations.</li> <li>• The cash count form should indicate cash was counted in dual custody when submitted for deposit.</li> <li>• All activities and expenditures should be properly approved and supporting documentation should be maintained.</li> <li>• Student store inventory should be counted periodically and reviewed including supporting documentation.</li> <li>• A receipt should be issued when an item is sold, and a receipt copy should be maintained.</li> <li>• The student store administrator should prepare a profit and loss statement that should be reviewed by another individual.</li> </ul>	Not implemented, see finding #2009-1.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2009**

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<i>Original Finding No.</i>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding #2008-3: Cash Accounts</i>	<p><b>Criteria:</b> Internal Controls – Safeguarding of Assets.</p> <p><b>Condition:</b> The District has approximately 50 bank accounts at various school sites that are not recorded in the District’s general ledger as of June 30, 2008. In some instances, these accounts are used to handle non-District funds such as student body and parent-teacher organization receipts.</p>	30000	The District should record all accounts as of the end of the school year. The June 30 bank statements and reconciliation should be forwarded to the District at year end to ensure that any remaining balances are recorded on the District’s general ledger. These accounts should never be used for non-district funds. The Board should adopt policies related to the handling of these accounts.	Not implemented, see finding #2009-3.
<i>Finding #2008-4: Time Certifications</i>	<p><b>Criteria:</b> An employee whose compensation is funded solely from a Single Cost Objective (i.e., consolidated administrative funds or combined school wide program) must furnish semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment Be paragraph 11.h.3. An employee paid in part from a Single Cost Objective, and in part with funds from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87.</p> <p><b>Condition:</b> Employees paid with Federal funds are not maintaining time and effort distribution records. Additionally, employees whose compensation is paid solely from a Single Cost Objective are not furnishing semi-annual certifications.</p>	50000	The District should require all employees paid with Federal funds to maintain time and effort distribution records, and all employees who are paid solely from a Single Cost Objective furnish semi-annual certification.	Implemented in 2008/09.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2009**

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<i>Original Finding No.</i>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding #2008-5: Prop 20 State Lottery Funds</i>	<p><b>Criteria:</b> Education Code Section 60010 – Allowable expenditures include instructional materials as defined as “all materials that are designed for use by pupils and their teachers as a learning resource and help pupils to acquire facts, skills or opinions, or to develop cognitive processes. Instructional materials may be printed or nonprinted, and may include textbooks, technology-based materials, other educational materials, and tests”.</p> <p><b>Condition:</b> Six expenditures were improperly charged to the restricted lottery funds. Expenditures included sheet art supplies and story/audio materials for Adult Education. These are not allowable expenditures.</p>	40000	The District should transfer the improperly charged expenditures to the appropriate resource code and verify all expenditures in the Proposition 20 Lottery Funds resource code for compliance with state adopted standards.	Implemented
<i>Finding #2008-6: Instructional Materials</i>	<p><b>Criteria:</b> Title 5, California Code of Regulations, Section 19828. For Kindergarten and grades 1 through 8, instructional materials purchased by the District are required to be “adopted by the State Board of Education in March 1999 or later, are in one of the four eligible subject areas, and bear the copyright date and are of the editions of materials adopted by the State Department of Education”.</p> <p><b>Condition:</b> The Resolution #07/08-30 approved by the Board at the meeting held on October 9, 2007, at which the sufficiency of instructional materials was assessed, does not include a written determination as to whether each pupil enrolled in a foreign language course or health course had sufficient textbooks or instructional materials that were consistent with the content and cycles of the curriculum frameworks.</p>	40000	The District should ensure the governing Board makes a written determination on foreign language and health course content in the next fiscal year, according to the California Department of Education requirements.	Implemented



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2009**

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<i>Original Finding No.</i>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding #2008-7: CALSTRS</i>	<p><b>Criteria:</b> Education Code 22455.5(a)-“The Legislature finds and declares that the federal Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) requires all public employers to provide their employees with either social security coverage or membership in a qualified retirement plan.”</p> <p>Education Code 22455.5(b)-“Employers shall make available criteria for membership, including optional membership, in a timely manner to all persons employed to perform creditable service subject to coverage by the Defined Benefit Program, and shall inform part-time and substitute employees, within 30 days of the date of hire, or by March 1, 1995, whichever is later, that they may elect membership in the plan’s Defined Benefit Program at any time while employed. Written acknowledgement by the employee shall be maintained in employer files on a form provided by this system”</p> <p><b>Condition:</b> One employee file was missing a CalSTRS membership election form.</p>	40000	The District should obtain membership election forms for all part-time and certificated employees hired, and implement procedures to ensure that election forms are maintained.	Implemented
<i>Finding #2008-8: Regular and Special Day Classes</i>	<p><b>Criteria:</b> Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421(b), and Education Code Section 44809-Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.</p> <p><b>Condition:</b> At Walnut Acres Elementary School, one student was improperly counted as present for a total of one day.</p>	10000	The site secretary should reconcile attendance records to the system reports to ensure accuracy. In addition, the District should revise and resubmit the Period Two Report of Attendance removing the disallowed attendance.	Implemented