

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2013

San Diego

Los Angeles

San Francisco  
Bay Area

christy  white  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

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

**CONCORD, CALIFORNIA**

**JUNE 30, 2013**

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

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

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Cheryl Hansen	President	December 2014
Barbara Oaks	Vice-President	December 2016
Brian Lawrence	Member	December 2016
Lynne Dennler	Member	December 2014
Linda Mayo	Member	December 2014

**DISTRICT ADMINISTRATORS**

Dr. John Bernard\*  
*Interim Superintendent*

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

Julie Braun Martin  
*Assistant Superintendent-Personnel Services*

Kerri Mills, Ed.D.  
*Assistant Superintendent-Pupil Services and Special Education*

Bryan Richards  
*Chief Financial Officer*

\* Dr. Bernard is no longer with the District. Dr. Nellie Meyer was hired as the Superintendent of the District on September 23, 2013.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL SECTION**

Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	10
Statement of Activities .....	11
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	13
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	15
Fiduciary Funds – Statement of Net Position.....	17
Fiduciary Funds – Statement of Changes in Net Position.....	18
Notes to Financial Statements .....	19

**REQUIRED SUPPLEMENTARY INFORMATION**

General Fund – Budgetary Comparison Schedule .....	49
Schedule of Funding Progress .....	50
Notes to Required Supplementary Information.....	51

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards .....	52
Schedule of Average Daily Attendance (ADA).....	53
Schedule of Instructional Time .....	54
Schedule of Financial Trends and Analysis .....	55
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	56
Schedule of Charter Schools .....	57
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet .....	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	59
Notes to Supplementary Information.....	60

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

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* ..... 61  
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133 ..... 63  
Report on State Compliance..... 65

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results ..... 68  
Financial Statement Findings..... 69  
Federal Award Findings and Questioned Costs ..... 71  
State Award Findings and Questioned Costs..... 72  
Summary Schedule of Prior Audit Findings ..... 74

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

John Dominguez, CPA, CFE

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Michael Ash, CPA

Heather Daud

SAN DIEGO

LOS ANGELES

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*Licensed by the California  
State Board of Accountancy*

Governing Board  
Mount Diablo Unified School District  
Concord, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Mount Diablo Unified School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 9, the budgetary comparison information on page 49, and the schedule of funding progress on page 50 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Diablo Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 on our consideration of Mount Diablo Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Diablo Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 13, 2013



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

**INTRODUCTION**

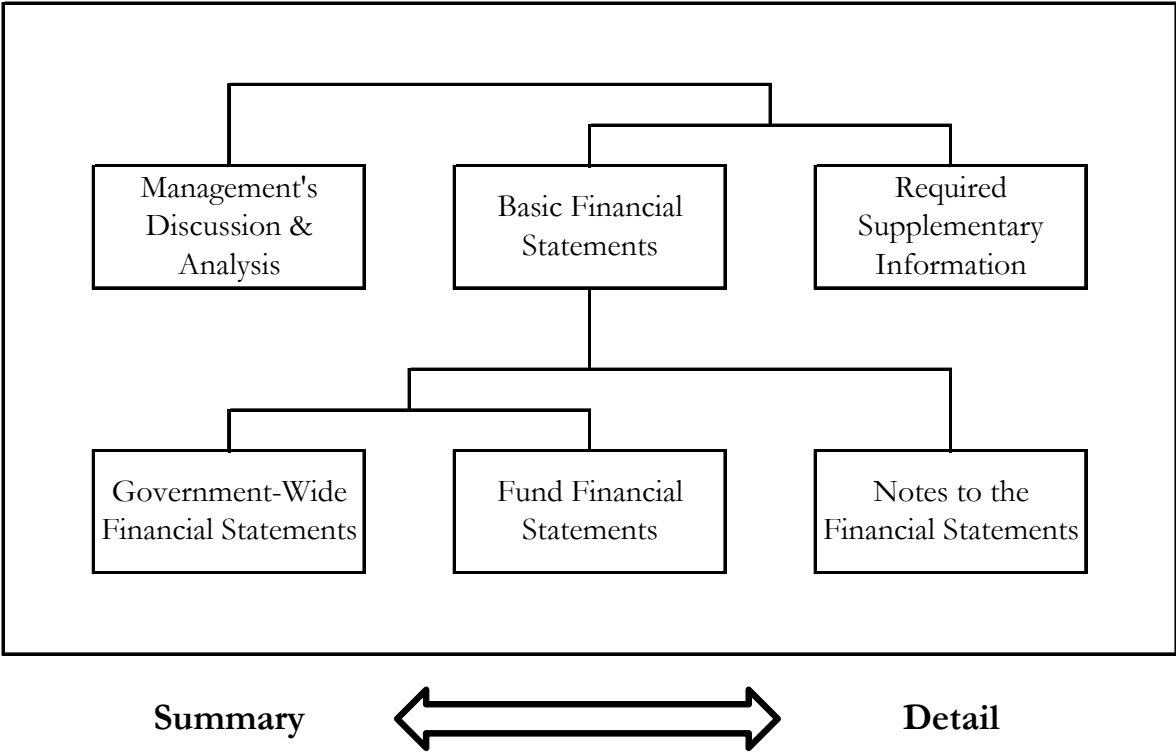
Our discussion and analysis of Mount Diablo Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ Total net position was \$170,301,810 at June 30, 2013. This was a decrease of \$13,933,649 from the prior year.
- ▶ Overall revenues were \$330,578,846 which were exceeded by expenses of \$344,512,495.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

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

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

### **Government-Wide Statements**

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

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Net Position**

The District's net position was \$170,301,810 at June 30, 2013, as reflected in the table below. Of this amount, \$5,946,054 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$276,425,735	\$316,980,355	\$ (40,554,620)
Capital assets	502,068,606	458,489,266	43,579,340
<b>Total Assets</b>	<b>778,494,341</b>	<b>775,469,621</b>	<b>3,024,720</b>
<b>LIABILITIES</b>			
Current liabilities	69,508,118	44,910,315	(24,597,803)
Long-term liabilities	538,684,413	546,323,847	7,639,434
<b>Total Liabilities</b>	<b>608,192,531</b>	<b>591,234,162</b>	<b>(16,958,369)</b>
<b>NET POSITION</b>			
Net investment in capital assets	139,494,441	150,680,893	(11,186,452)
Restricted	24,861,315	25,177,459	(316,144)
Unrestricted	5,946,054	8,377,107	(2,431,053)
<b>Total Net Position</b>	<b>\$170,301,810</b>	<b>\$184,235,459</b>	<b>\$ (13,933,649)</b>

**Changes in Net Position**

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Changes in Net Position (continued)**

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 4,569,535	\$ 5,187,281	\$ (617,746)
Operating grants and contributions	77,600,986	77,748,102	(147,116)
Capital grants and contributions	16,757	29,324	(12,567)
General revenues			
Property taxes	130,516,892	118,636,409	11,880,483
Unrestricted federal and state aid	109,829,423	121,128,171	(11,298,748)
Other	8,045,253	5,031,210	3,014,043
<b>Total Revenues</b>	<b>330,578,846</b>	<b>327,760,497</b>	<b>2,818,349</b>
<b>EXPENSES</b>			
Instruction	187,897,507	194,548,064	(6,650,557)
Instruction-related services	35,426,626	35,071,437	355,189
Pupil services	40,108,289	38,461,228	1,647,061
General administration	11,351,740	10,997,948	353,792
Plant services	42,096,850	43,097,406	(1,000,556)
Ancillary and community services	1,823,471	2,081,105	(257,634)
Other outgo including debt service	25,801,733	21,971,409	3,830,324
Other	6,279	-	6,279
<b>Total Expenses</b>	<b>344,512,495</b>	<b>346,228,597</b>	<b>(1,716,102)</b>
<b>Change in net position</b>	<b>(13,933,649)</b>	<b>(18,468,100)</b>	<b>4,534,451</b>
<b>Net Position - Beginning</b>	<b>184,235,459</b>	<b>202,703,559</b>	<b>(18,468,100)</b>
<b>Net Position - Ending</b>	<b>\$170,301,810</b>	<b>\$184,235,459</b>	<b>\$ (13,933,649)</b>

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$229,282,704, which is less than last year's ending fund balance of \$283,638,278. The District's General Fund had \$3,437,800 more in operating revenues than expenditures for the year ended June 30, 2013. The Building Fund had \$56,680,911 more in operating expenditures than revenues for the year ended June 30, 2013. The Bond Interest and Redemption Fund had \$239,839 more in operating revenues than expenditures for the year ended June 30, 2013.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**CURRENT YEAR BUDGET 2012-13**

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2012-13 the District had invested \$502,068,606 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 14,436,462	\$ 14,436,462	\$ -
Construction in progress	53,038,577	79,294,863	(26,256,286)
Land improvements	103,729,731	23,805,205	79,924,526
Buildings & improvements	527,483,885	517,664,970	9,818,915
Furniture & equipment	16,859,561	17,152,592	(293,031)
Accumulated depreciation	(213,479,610)	(193,864,826)	(19,614,784)
<b>Total Capital Assets</b>	<b>\$502,068,606</b>	<b>\$458,489,266</b>	<b>\$ 43,579,340</b>

**Long-Term Debt**

At year-end, the District had \$558,475,216 in long-term debt, a decrease of \$156,902 from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
General obligation bonds	\$492,817,982	\$495,165,914	\$ (2,347,932)
Mello-Roos bonds	31,263,580	33,807,629	(2,544,049)
Capital leases	836,388	1,063,245	(226,857)
Compensated absences	3,111,649	3,006,742	104,907
Construction loan	5,102,671	5,309,391	(206,720)
Net OPEB obligation	25,342,946	20,279,197	5,063,749
<b>Total Long-term Liabilities</b>	<b>\$558,475,216</b>	<b>\$558,632,118</b>	<b>\$ (156,902)</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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

All of these factors were considered in preparing the District's budget for the 2013-14 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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	<b>Governmental</b>
	<b>Activities</b>
	<hr/>
<b>ASSETS</b>	
Cash and investments	\$ 235,270,550
Accounts receivable	35,383,776
Inventory	498,461
Deferred charges	5,272,948
Capital assets, not depreciated	67,475,039
Capital assets, net of accumulated depreciation	434,593,567
<b>Total Assets</b>	<hr/> <b>778,494,341</b>
<b>LIABILITIES</b>	
Deficit cash	875,090
Accrued liabilities	46,800,401
Unearned revenue	2,041,824
Long-term liabilities, current portion	19,790,803
Long-term liabilities, non-current portion	538,684,413
<b>Total Liabilities</b>	<hr/> <b>608,192,531</b>
<b>NET POSITION</b>	
Net investment in capital assets	139,494,441
Restricted:	
Capital projects	3,056,116
Debt service	5,272,948
Educational programs	12,752,490
Other purposes	3,779,761
Unrestricted	5,946,054
<b>Total Net Position</b>	<hr/> <b>\$ 170,301,810</b>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Function/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 187,897,507	\$ 48,087	\$ 42,673,489	\$ 16,757	\$ (145,159,174)
Instruction-related services					
Instructional supervision and administration	13,155,701	2,873	6,998,726	-	(6,154,102)
Instructional library, media, and technology	3,001,684	4,306	418,174	-	(2,579,204)
School site administration	19,269,241	1,764	595,293	-	(18,672,184)
Pupil services					
Home-to-school transportation	9,232,011	174,944	2,656,569	-	(6,400,498)
Food services	12,378,322	3,349,030	8,016,501	-	(1,012,791)
All other pupil services	18,497,956	51,441	6,320,247	-	(12,126,268)
General administration					
Centralized data processing	2,883,030	3,927	107,395	-	(2,771,708)
All other general administration	8,468,710	96,408	1,445,882	-	(6,926,420)
Plant services	42,096,850	813,159	7,721,510	-	(33,562,181)
Ancillary services	1,189,478	17,515	160,730	-	(1,011,233)
Community services	633,993	-	406,392	-	(227,601)
Enterprise activities	6,279	58	534	-	(5,687)
Interest on long-term debt	25,119,914	-	-	-	(25,119,914)
Other Outgo	681,819	6,023	79,544	-	(596,252)
<b>Total Governmental Activities</b>	<b>\$ 344,512,495</b>	<b>\$ 4,569,535</b>	<b>\$ 77,600,986</b>	<b>\$ 16,757</b>	<b>(262,325,217)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					97,885,218
Property taxes, levied for debt service					32,153,237
Property taxes, levied for other specific purposes					478,437
Federal and state aid not restricted for specific purposes					109,829,423
Interest and investment earnings					296,933
Miscellaneous					7,748,320
<b>Subtotal, General Revenue</b>					<b>248,391,568</b>
<b>CHANGE IN NET POSITION</b>					<b>(13,933,649)</b>
<b>Net Position - Beginning</b>					<b>184,235,459</b>
<b>Net Position - Ending</b>					<b>\$ 170,301,810</b>

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



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 47,381,279	\$ 135,685,489	\$ 29,557,249	\$ 22,646,533	\$ 235,270,550
Accounts receivable	32,296,058	7	-	3,087,711	35,383,776
Due from other funds	-	-	-	200,000	200,000
Stores inventory	462,769	-	-	35,692	498,461
<b>Total Assets</b>	<b>\$ 80,140,106</b>	<b>\$ 135,685,496</b>	<b>\$ 29,557,249</b>	<b>\$ 25,969,936</b>	<b>\$ 271,352,787</b>
<b>LIABILITIES</b>					
Deficit cash	\$ -	\$ -	\$ -	\$ 875,090	\$ 875,090
Accrued liabilities	24,422,718	13,652,678	-	877,773	38,953,169
Due to other funds	200,000	-	-	-	200,000
Unearned revenue	2,033,666	-	-	8,158	2,041,824
<b>Total Liabilities</b>	<b>26,656,384</b>	<b>13,652,678</b>	<b>-</b>	<b>1,761,021</b>	<b>42,070,083</b>
<b>FUND BALANCES</b>					
Nonspendable	767,769	-	-	35,693	803,462
Restricted	11,183,370	122,032,818	29,557,249	21,784,322	184,557,759
Committed	-	-	-	2,388,900	2,388,900
Assigned	5,574,480	-	-	-	5,574,480
Unassigned	35,958,103	-	-	-	35,958,103
<b>Total Fund Balances</b>	<b>53,483,722</b>	<b>122,032,818</b>	<b>29,557,249</b>	<b>24,208,915</b>	<b>229,282,704</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,140,106</b>	<b>\$ 135,685,496</b>	<b>\$ 29,557,249</b>	<b>\$ 25,969,936</b>	<b>\$ 271,352,787</b>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2013**

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**Total Fund Balance - Governmental Funds** \$ 229,282,704

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

Capital assets:

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

Capital assets	\$ 715,548,216	
Accumulated depreciation	(213,479,610)	502,068,606

Unamortized costs:

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 as deferred charges on the statement of net position are:

5,272,948

Unmatured interest on long-term debt:

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

(7,847,232)

Long-term liabilities:

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

Total general obligation bonds	\$ 492,817,982	
Total Mello-Roos bonds	31,263,580	
Capital leases	836,388	
Compensated absences	3,111,649	
Construction loan	5,102,671	
Net OPEB obligation	25,342,946	(558,475,216)

**Total Net Position - Governmental Activities** \$ 170,301,810

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue limit sources	\$ 161,297,824	\$ -	\$ -	\$ 600,000	\$ 161,897,824
Federal sources	24,572,089	-	2,550,159	9,163,785	36,286,033
Other state sources	76,424,842	-	298,883	826,125	77,549,850
Other local sources	16,021,305	604,224	25,411,673	12,807,937	54,845,139
<b>Total Revenues</b>	<b>278,316,060</b>	<b>604,224</b>	<b>28,260,715</b>	<b>23,397,847</b>	<b>330,578,846</b>
<b>EXPENDITURES</b>					
Current					
Instruction	181,669,002	-	-	2,918,706	184,587,708
Instruction-related services					
Instructional supervision and administration	12,527,763	-	-	401,955	12,929,718
Instructional library, media, and technology	2,835,987	-	-	90,131	2,926,118
School site administration	17,433,678	-	-	1,456,552	18,890,230
Pupil services					
Home-to-school transportation	8,632,237	-	-	-	8,632,237
Food services	19,554	-	-	12,196,286	12,215,840
All other pupil services	18,232,205	-	-	16,887	18,249,092
General administration					
Centralized data processing	2,796,358	-	-	-	2,796,358
All other general administration	7,866,645	-	-	454,375	8,321,020
Plant services					
Facilities acquisition and maintenance	20,227,696	-	-	1,872,345	22,100,041
Ancillary services	206,762	57,285,135	-	6,170,977	63,662,874
Ancillary services	1,189,404	-	-	-	1,189,404
Community services	613,671	-	-	856	614,527
Enterprise activities	6,279	-	-	-	6,279
Transfers to other agencies	366,255	-	-	-	366,255
Debt service					
Principal	226,857	-	8,845,000	2,751,720	11,823,577
Interest and other	27,907	-	19,175,876	1,288,329	20,492,112
<b>Total Expenditures</b>	<b>274,878,260</b>	<b>57,285,135</b>	<b>28,020,876</b>	<b>29,619,119</b>	<b>389,803,390</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>3,437,800</b>	<b>(56,680,911)</b>	<b>239,839</b>	<b>(6,221,272)</b>	<b>(59,224,544)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	4,447,546	4,447,546
Other sources	-	-	58,983,970	-	58,983,970
Transfers out	(3,637,547)	-	-	(809,999)	(4,447,546)
Other uses	-	-	(54,115,000)	-	(54,115,000)
<b>Net Financing Sources (Uses)</b>	<b>(3,637,547)</b>	<b>-</b>	<b>4,868,970</b>	<b>3,637,547</b>	<b>4,868,970</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(199,747)</b>	<b>(56,680,911)</b>	<b>5,108,809</b>	<b>(2,583,725)</b>	<b>(54,355,574)</b>
<b>Fund Balance - Beginning</b>	<b>53,683,469</b>	<b>178,713,729</b>	<b>24,448,440</b>	<b>26,792,640</b>	<b>283,638,278</b>
<b>Fund Balance - Ending</b>	<b>\$ 53,483,722</b>	<b>\$ 122,032,818</b>	<b>\$ 29,557,249</b>	<b>\$ 24,208,915</b>	<b>\$ 229,282,704</b>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Net Change in Fund Balances - Governmental Funds** \$ (54,355,574)

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 63,815,866	
Depreciation expense:	(20,184,370)	43,631,496

Debt service:

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

65,938,577

Debt proceeds:

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

(58,983,970)

Debt issuance costs:

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

Issuance costs incurred during the period:	\$ 516,063	
Issuance costs amortized for the period:	(315,564)	200,499

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(52,156)

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (3,514,816)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (3,517,957)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (104,907)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (5,063,749)

Amortization of debt issuance 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 over the life of the debt. Amortization of premium or discount for the period is: 1,888,908

**Change in Net Position of Governmental Activities** \$ (13,933,649)

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013**

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	<u>Trust Funds</u>	<u>Agency Funds</u>
	<u>Private-Purpose</u>	<u>Student Body</u>
	<u>Trust Fund</u>	<u>Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 52,468	\$ 1,156,353
<b>Total Assets</b>	<u>52,468</u>	<u>\$ 1,156,353</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 1,156,353
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 1,156,353</u>
<b>NET POSITION</b>		
Restricted	52,468	
<b>Total Net Position</b>	<u>\$ 52,468</u>	

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013**

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	<u>Trust Funds</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 2,049
<b>Total Additions</b>	<u>2,049</u>
<b>CHANGE IN NET POSITION</b>	2,049
<b>Net Position - Beginning</b>	<u>50,419</u>
<b>Net Position - Ending</b>	<u>\$ 52,468</u>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Financial Reporting Entity**

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

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

**B. Component Units**

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

The District and Mount Diablo Unified School District Education Facilities Financing Corporation (the Corporation) have a financial and operational relationship that meets the reporting entity definition criteria 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 as a blended component unit.

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

**C. Basis of Presentation**

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



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

C. **Basis of Presentation** (*continued*)

**Government-Wide Statements** (*continued*)

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

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

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

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

**Major Governmental Funds**

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

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

C. Basis of Presentation (*continued*)

Major Governmental Funds (*continued*)

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

Non-Major Governmental Funds

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

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

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

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

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

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Capital Project Funds** (*continued*):

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

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

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

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

Fiduciary Funds

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

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

**D. Basis of Accounting – Measurement Focus**

**Government-Wide and Fiduciary Financial Statements**

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Governmental Funds**

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

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

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

**Unearned Revenue**

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

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Inventories**

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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

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

**Capital Assets**

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

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

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

**Interfund Balances**

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

**Compensated Absences**

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

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

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

**Accrued Liabilities and Long-Term Obligations**

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

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

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

**Fund Balance**

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

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

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

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

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

**Fund Balance (continued)**

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

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

**F. Interfund Activity**

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

**G. Estimates**

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

**H. Budgetary Data**

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

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



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

**I. Property Tax**

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

**J. New Accounting Pronouncements**

**GASB Statement No. 61** – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No.14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

**GASB Statement No. 62** – In December 2010, GASB issued Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 62 for the year ended June 30, 2013.

**GASB Statement No. 63** - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 for the year ended June 30, 2013.

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has not yet determined the impact on the financial statements.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2013

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

J. New Accounting Pronouncements (*continued*)

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash in county	\$ 212,291,073	\$ 7,468
Cash on hand and in banks	416,680	1,156,353
Cash with fiscal agent	43,715	-
Cash in revolving fund	305,000	-
Deficit cash	875,090	-
Investments	21,338,992	45,000
<b>Total cash and investments</b>	<u>\$ 235,270,550</u>	<u>\$ 1,208,821</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

**B. Policies and Practices**

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

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

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

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

**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.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

**C. General Authorizations (continued)**

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

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$212,072,344 and an amortized book value of \$212,298,541. The average weighted maturity for this pool is 181 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2013, the investment with the Contra Costa County Investment Pool is rated AA Af/S1+ by Standard & Poor’s. The investments within the Local Agency Investment Fund are rated at least BBB. The investment with the California Asset Management Program is rated AA Am.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance was not exposed to custodial credit risk.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2013 consisted of the following:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal Government				
Categorical aid	\$ 7,325,001	\$ -	\$ 910,968	\$ 8,235,969
State Government				
Apportionment	11,246,075	-	1,986,165	13,232,240
Categorical aid	10,105,892	-	34,817	10,140,709
Lottery	1,796,912	-	-	1,796,912
Local Government				
Other local sources	1,822,178	7	155,761	1,977,946
<b>Total</b>	<b>\$ 32,296,058</b>	<b>\$ 7</b>	<b>\$ 3,087,711</b>	<b>\$ 35,383,776</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Construction in progress	79,294,863	63,505,833	89,762,119	53,038,577
Total Capital Assets not Being Depreciated	93,731,325	63,505,833	89,762,119	67,475,039
Capital assets being depreciated				
Land improvements	23,805,205	79,924,526	-	103,729,731
Buildings & improvements	517,664,970	9,818,915	-	527,483,885
Furniture & equipment	17,152,592	328,711	621,742	16,859,561
Total Capital Assets Being Depreciated	558,622,767	90,072,152	621,742	648,073,177
Less Accumulated Depreciation				
Land improvements	3,488,584	3,459,584	-	6,948,168
Buildings & improvements	177,130,389	15,978,579	-	193,108,968
Furniture & equipment	13,245,853	746,207	569,586	13,422,474
Total Accumulated Depreciation	193,864,826	20,184,370	569,586	213,479,610
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 458,489,266</b>	<b>\$ 133,393,615</b>	<b>\$ 89,814,275</b>	<b>\$ 502,068,606</b>

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

Instruction	\$ 9,859
Instruction-related services	7,888
Pupil services	484,367
General administration	77,383
Plant services	19,604,873
	<u>\$ 20,184,370</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2013 consisted of \$200,000 due from the General Fund to the Deferred Maintenance Fund for Tier III funds.

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>
	<u>Non-Major Governmental Funds</u>
General Fund	\$ 3,637,547
Non-Major Governmental Funds	809,999
<b>Total Interfund Transfers</b>	<b>\$ 4,447,546</b>
Transfer from General Fund to Adult Education Fund for lottery revenue and Tier III funds	\$ 3,355,047
Transfer from General Fund to Adult Education Fund for income from Chabot-Los Positas Community Development Partnership	82,500
Transfer from General Fund to Deferred Maintenance Fund for Tier III funds	200,000
Transfer from Capital Projects Fund to Debt Service Fund for prepayment of 1998 debt	809,999
<b>Total</b>	<b>\$ 4,447,546</b>

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>District-Wide</u>	<u>Total Governmental Activities</u>
Payroll	\$ 1,747,357	\$ 51,309	\$ 219,172	\$ -	\$ 2,017,838
Construction	-	13,601,369	369,308	-	13,970,677
Vendors payable	16,961,348	-	289,293	-	17,250,641
Unmatured interest	-	-	-	7,847,232	7,847,232
Other liabilities	5,714,013	-	-	-	5,714,013
<b>Total</b>	<b>\$ 24,422,718</b>	<b>\$ 13,652,678</b>	<b>\$ 877,773</b>	<b>\$ 7,847,232</b>	<b>\$ 46,800,401</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

**NOTE 7 – UNEARNED REVENUE**

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The unearned revenue totals at June 30, 2013, consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal sources	\$ 1,804,002	\$ 8,158	\$ 1,812,160
State categorical sources	27,996	-	27,996
Local sources	201,668	-	201,668
<b>Total</b>	<b>\$ 2,033,666</b>	<b>\$ 8,158</b>	<b>\$ 2,041,824</b>

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2013 consisted of the following:

	<b>Balance July 01, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>	<b>Balance Due In One Year</b>
<b>Governmental Activities</b>					
General obligation bonds					
Series 2005	\$ 11,620,000	\$ -	\$ 3,720,000	\$ 7,900,000	\$ 3,875,000
Series 2006	57,005,000	-	55,545,000	1,460,000	1,460,000
Series 2010	269,305,057	-	5,000	269,300,057	7,105,000
Series 2011 Refunding	36,080,000	-	1,900,000	34,180,000	1,955,000
Series B Refunding	43,700,000	-	1,205,000	42,495,000	90,000
Series B-2 Refunding	40,540,000	-	585,000	39,955,000	-
Series C Refunding	-	54,015,000	-	54,015,000	600,000
Unamortized premium	31,265,097	4,968,970	1,889,859	34,344,208	1,889,859
Accreted interest	5,650,760	3,517,957	-	9,168,717	-
<b>Total general obligation bonds</b>	<b>495,165,914</b>	<b>62,501,927</b>	<b>64,849,859</b>	<b>492,817,982</b>	<b>16,974,859</b>
Mello-Roos bonds					
Series 2005	12,565,000	-	580,000	11,985,000	600,000
Series 2006	21,255,000	-	1,965,000	19,290,000	2,040,000
Unamortized discount	(12,371)	-	(951)	(11,420)	(951)
<b>Total Mello-Roos bonds</b>	<b>33,807,629</b>	<b>-</b>	<b>2,544,049</b>	<b>31,263,580</b>	<b>2,639,049</b>
Capital leases	1,063,245	-	226,857	836,388	176,895
Compensated absences	3,006,742	104,907	-	3,111,649	-
Construction loan	5,309,391	-	206,720	5,102,671	-
Net OPEB obligation	20,279,197	5,063,749	-	25,342,946	-
<b>Total</b>	<b>\$ 558,632,118</b>	<b>\$ 67,670,583</b>	<b>\$ 67,827,485</b>	<b>\$ 558,475,216</b>	<b>\$ 19,790,803</b>

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



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

**A. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2013 amounted to \$3,111,649. This amount is included as part of long-term liabilities in the government-wide financial statements.

**B. Mello-Roos Measure “A” Bonds**

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

On June 30, 2005, the District issued Series 2005 Measure “A” Bonds totaling \$15,760,000. A portion of the bond proceeds were being invested to be used to retire the series 1995 Measure “A” Bonds during the year ended June 30, 2007. Repayment of the 2005 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.00% to 4.20% and are scheduled to mature through 2025. The principal balance as of June 30, 2013 was \$11,985,000.

On June 14, 2006, the District issued Series 2006 Special Tax Refunding Bonds totaling \$29,995,000. A portion of the bond proceeds were being invested to be used to retire the series 1996 Measure “A” Bonds during the year ended June 30, 2007. Repayment of the 2006 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.625% to 4.500% and are scheduled to mature through 2027. The principal balance as of June 30, 2013 was \$19,290,000.

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

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 2,640,000	\$ 1,192,848	\$ 3,832,848
2015	2,745,000	1,094,561	3,839,561
2016	2,840,000	990,466	3,830,466
2017	2,950,000	879,050	3,829,050
2018	3,075,000	761,178	3,836,178
2019 - 2023	12,970,000	1,973,470	14,943,470
2024 - 2027	4,055,000	208,729	4,263,729
<b>Total</b>	<b>\$ 31,275,000</b>	<b>\$ 7,100,302</b>	<b>\$ 38,375,302</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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

**C. General Obligation Bonds**

**2002 Election Measure C**

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

On June 10, 2004, the District issued Series 2005 Measure “C” Bonds totaling \$121,000,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 3.00% to 5.625% and are scheduled to mature through 2030. The bonds were partially refunded during the year ended June 30, 2012. The principal balance outstanding as of June 30, 2013 is \$7,900,000.

On May 11, 2006, the District issued Series 2006 Measure “C” Bonds totaling \$59,600,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2031. The bonds were partially refunding during the year ended June 30, 2013. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District’s liabilities. The principal balance as of June 30, 2013 is \$1,460,000.

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

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 5,335,000	\$ 335,907	\$ 5,670,907
2015	4,025,000	83,016	4,108,016
<b>Total</b>	<b>\$ 9,360,000</b>	<b>\$ 418,923</b>	<b>\$ 9,778,923</b>

**2010 Election Measure C**

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

On September 22, 2010, two election 2010 general obligation bonds were issued. The Series A general obligation bond was issued for an aggregate principal amount of \$50,456,475 and consists of current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds. The Series B general obligation bond was issued for an aggregate principal amount of \$59,540,000 and consists of current interest bonds. The bonds have stated interest rates of 1.689% to 5.702% and mature on August 1, 2035 and August 1, 2027, respectively. The principal balance excluding accreted interest as of June 30, 2013 is \$50,456,475 and \$57,855,000, respectively.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

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

**2010 Election Measure C (continued)**

On March 29, 2011, two additional election 2010 general obligation bonds were issued. The Series C general obligation bond was issued for an aggregate principal amount of \$3,865,000 and consists of current interest bonds with stated interest rates of 2.0% to 5.4%. The Series D general obligation bond was issued for an aggregate principal amount of \$10,998,582 and consists of current interest bonds and capital appreciation bonds. The bonds have stated interest rates of 5.0% to 5.5% and rates of accretion ranging from 9.8% to 11.999% and mature on August 1, 2025 and August 1, 2031, respectively. The principal balance excluding accreted interest as of June 30, 2013 is \$3,860,000 and \$7,133,582, respectively.

On May 30, 2012, an additional election 2010 general obligation bond was issued (Series E). The Series E general obligation bond was issued for an aggregate principal amount of \$149,995,000 and consists of current interest bonds with stated interest rates of 0.30% to 5.0%. The principal balance as of June 30, 2013 is \$149,995,000.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,105,000	\$ 9,910,385	\$ 17,015,385
2015	5,830,000	9,883,695	15,713,695
2016	4,122,272	9,967,025	14,089,297
2017	3,192,351	9,928,007	13,120,358
2018	4,153,231	9,840,325	13,993,556
2019 - 2023	36,122,944	53,347,423	89,470,367
2024 - 2028	56,353,529	63,083,167	119,436,696
2029 - 2033	71,373,043	67,228,514	138,601,557
2034 - 2037	81,047,687	18,087,622	99,135,309
Total	\$ 269,300,057	\$ 251,276,163	\$ 520,576,220

**2011 Refunding General Obligation Bond**

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

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

**2011 Refunding General Obligation Bond (continued)**

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

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 1,955,000	\$ 1,481,888	\$ 3,436,888
2015	2,025,000	1,412,763	3,437,763
2016	2,085,000	1,341,263	3,426,263
2017	2,165,000	1,251,588	3,416,588
2018	2,250,000	1,169,713	3,419,713
2019 - 2023	11,375,000	4,389,606	15,764,606
2024 - 2027	12,325,000	1,254,125	13,579,125
<b>Total</b>	<b>\$ 34,180,000</b>	<b>\$ 12,300,946</b>	<b>\$ 46,480,946</b>

**2012 Series B Refunding General Obligation Bond**

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

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

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 90,000	\$ 1,977,650	\$ 2,067,650
2015	90,000	1,974,950	2,064,950
2016	3,995,000	1,893,700	5,888,700
2017	4,150,000	906,900	5,056,900
2018	1,320,000	1,617,800	2,937,800
2019 - 2023	16,985,000	3,673,750	20,658,750
2024	15,865,000	1,610,500	17,475,500
<b>Total</b>	<b>\$ 42,495,000</b>	<b>\$ 13,655,250</b>	<b>\$ 56,150,250</b>

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

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

**2012 Series B-2 Refunding General Obligation Bond (continued)**

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

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ -	\$ 1,954,563	\$ 1,954,563
2015	-	1,954,563	1,954,563
2016	-	1,954,563	1,954,563
2017	-	1,954,563	1,954,563
2018	-	1,954,563	1,954,563
2019 - 2023	-	9,772,813	9,772,813
2024 - 2028	25,340,000	7,371,438	32,711,438
2029 - 2030	14,615,000	720,469	15,335,469
<b>Total</b>	<b>\$ 39,955,000</b>	<b>\$ 27,637,535</b>	<b>\$ 67,592,535</b>

**2012 Series C Refunding General Obligation Bond**

On March 13, 2013, the District issued Series C General Obligation Refunding Bonds for an aggregate amount of \$54,015,000, consisting of current interest bonds bearing fixed interest rates ranging from 2.0% to 5.0% with a maturity date of June 1, 2031. The net proceeds were used to refund a portion of the District's Election 2002, Series 2006 general obligation bonds on an advance basis and to pay certain costs of issuance associated with the Refunding Bonds.

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

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 600,000	\$ 1,847,508	\$ 2,447,508
2015	150,000	2,279,500	2,429,500
2016	1,065,000	2,256,700	3,321,700
2017	1,100,000	2,213,400	3,313,400
2018	1,190,000	2,167,600	3,357,600
2019 - 2023	6,530,000	10,074,800	16,604,800
2024 - 2028	9,450,000	8,607,475	18,057,475
2029 - 2031	33,930,000	3,342,292	37,272,292
<b>Total</b>	<b>\$ 54,015,000</b>	<b>\$ 32,789,275</b>	<b>\$ 86,804,275</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

**D. Construction Loan**

In February 2003, the Redevelopment Agency of the City of Pittsburg made an interest-free loan of \$6,178,936 to the District. The loan is to be used for the construction of an elementary school within the City of Pittsburg. Beginning June 1, 2005, the District will pay 24% of all impact fees collected by the District in the City of Pittsburg after January 1, 2005. The District will continue to make payments equivalent to 24% of impact fees collected in the City every six months on June 1<sup>st</sup> and January 1<sup>st</sup> until June 1, 2040 or until the loan is paid off, whichever occurs first. The balance at June 30, 2013 is \$5,102,671.

**E. Capitalized Lease Obligations**

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

Future yearly payments on capitalized lease obligations are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2014	\$ 199,163
2015	199,164
2016	199,163
2017	199,164
2018	99,583
Total minimum lease payments	<u>896,237</u>
Less amount representing interest	<u>(59,849)</u>
Present value of minimum lease payments	<u>\$ 836,388</u>

**F. Other Leases**

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2013:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 305,000	\$ -	\$ -	\$ -	\$ 305,000
Stores inventory	462,769	-	-	35,693	498,462
Total non-spendable	767,769	-	-	35,693	803,462
Restricted					
Educational programs	11,183,370	-	-	31,020	11,214,390
Capital projects	-	122,032,818	-	8,961,356	130,994,174
Debt service	-	-	29,557,249	9,951,148	39,508,397
All others	-	-	-	2,840,798	2,840,798
Total restricted	11,183,370	122,032,818	29,557,249	21,784,322	184,557,759
Committed					
Adult education	-	-	-	1,538,099	1,538,099
Deferred maintenance	-	-	-	850,801	850,801
Total committed	-	-	-	2,388,900	2,388,900
Assigned					
Tier III and site based carryovers	5,574,480	-	-	-	5,574,480
Total assigned	5,574,480	-	-	-	5,574,480
Unassigned					
Reserve for economic uncertainties	8,165,723	-	-	-	8,165,723
Remaining unassigned	27,792,380	-	-	-	27,792,380
Total unassigned	35,958,103	-	-	-	35,958,103
<b>Total</b>	<b>\$ 53,483,722</b>	<b>\$ 122,032,818</b>	<b>\$ 29,557,249</b>	<b>\$ 24,208,915</b>	<b>\$ 229,282,704</b>

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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

**A. Plan Description and Contribution Information**

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

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	1,054
Active plan members	2,923
Total*	<u>3,977</u>
 Number of participating employers	 1

\*As of July 1, 2012 actuarial study

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

**B. Funding Policy**

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2012-13, the District contributed \$5,536,566.

As of June 30, 2013, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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

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

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

Annual required contribution	\$ 10,588,804
Interest on net OPEB obligation	1,013,960
Adjustment to annual required contribution	<u>(1,002,449)</u>
Annual OPEB cost (expense)	10,600,315
Contributions made	<u>(5,536,566)</u>
Increase (decrease) in net OPEB obligation	5,063,749
Net OPEB obligation, beginning of the year	<u>20,279,197</u>
Net OPEB obligation, end of the year	<u>\$ 25,342,946</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2013 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 10,600,315	52%	\$ 25,342,946
2012	\$ 8,139,181	56%	\$ 20,279,197
2011	\$ 8,116,185	50%	\$ 16,718,767

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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

**D. Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 95,744,443	\$ 95,744,443	0%	\$ 174,900,000	55%

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

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

**E. Actuarial Methods and Assumptions**

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	25 years
Actuarial Assumptions:	
Discount rate	5.0%
Health care trend rate	5.0-7.0%
Inflation rate	3.0%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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**NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS**

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

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

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd.; Sacramento, CA 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 10,277,437	100%
2011-12	\$ 10,688,838	100%
2010-11	\$ 10,151,998	100%

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$7,087,940 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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

**California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, CA 95811.

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 4,598,176	100%
2011-12	\$ 4,529,773	100%
2010-11	\$ 4,389,951	100%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

**C. Construction Commitments**

As of June 30, 2013, the District had commitments with respect to unfinished capital projects of approximately \$34.2 million.

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

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

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

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

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

**NOTE 14 – SELF-INSURANCE**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 160,677,828	\$ 161,193,835	\$ 161,297,824	\$ 103,989
Federal sources	23,841,277	33,063,143	24,572,089	(8,491,054)
Other state sources	67,449,758	69,172,022	69,336,902	164,880
Other local sources	10,477,066	13,906,712	16,021,305	2,114,593
<b>Total Revenues</b>	<b>262,445,929</b>	<b>277,335,712</b>	<b>271,228,120</b>	<b>(6,107,592)</b>
<b>EXPENDITURES</b>				
Certificated salaries	128,358,051	129,252,301	127,102,689	2,149,612
Classified salaries	39,511,891	41,007,959	39,509,304	1,498,655
Employee benefits	56,711,114	54,600,644	53,120,966	1,479,678
Books and supplies	9,416,162	28,846,745	9,156,301	19,690,444
Services and other operating expenditures	36,777,306	44,119,348	38,166,109	5,953,239
Capital outlay	256,117	865,538	522,903	342,635
Other outgo				
Excluding transfers of indirect costs	254,993	375,493	621,019	(245,526)
Transfers of indirect costs	(445,013)	(435,595)	(408,971)	(26,624)
<b>Total Expenditures</b>	<b>270,840,621</b>	<b>298,632,433</b>	<b>267,790,320</b>	<b>30,842,113</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(8,394,692)</b>	<b>(21,296,721)</b>	<b>3,437,800</b>	<b>24,734,521</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(3,505,746)	(3,582,246)	(3,637,547)	(55,301)
<b>Net Financing Sources (Uses)</b>	<b>(3,505,746)</b>	<b>(3,582,246)</b>	<b>(3,637,547)</b>	<b>(55,301)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(11,900,438)</b>	<b>(24,878,967)</b>	<b>(199,747)</b>	<b>24,679,220</b>
<b>Fund Balance - Beginning</b>	<b>53,683,469</b>	<b>53,683,469</b>	<b>53,683,469</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 41,783,031</b>	<b>\$ 28,804,502</b>	<b>\$ 53,483,722</b>	<b>\$ 24,679,220</b>

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

- On behalf payments of \$7,087,940 for CalSTRS are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to required supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAAL as a Percentage of Covered Payroll</b>
July 1, 2012	\$ -	\$ 95,744,443	\$ 95,744,443	0%	\$ 174,900,000	55%
May 1, 2008	\$ -	\$ 71,018,299	\$ 71,018,299	0%	\$ 191,822,548	37%

See accompanying note to required supplementary information.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2013**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Funding Progress**

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

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

For the year ended June 30, 2013, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Other outgo			
Excluding transfers of indirect costs	\$ 375,493	\$ 621,019	\$ 245,526

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**SUPPLEMENTARY  
INFORMATION**

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education: State Grants	84.010	14329	\$ 4,625,200
Adult Education: Adult Secondary Education	84.002	13978	56,098
Adult Education: English Literacy and Civics Education	84.002A	14109	156,790
Adult Education: Adult Basic Education and ESL	84.002A	14508	403,808
Subtotal Adult Education: State Grants			<u>616,696</u>
Career and Technical Education	84.051	*	17,260
Title II, Part A, Teacher Quality	84.367A	14341	1,416,508
School Improvement Grants Cluster			
Title I, School Improvement Grant for QEIA Schools	84.377	14971	3,619,598
ARRA - Title I, School Improvement Grant for QEIA Schools	84.388	15004	3,593,134
Subtotal School Improvement Grants Cluster			<u>7,212,732</u>
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	677,800
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	763,715
Title V, Part A, Innovative Education Strategies	84.298A	14354	29,175
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	5,567,322
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	1,137,520
IDEA Quality Assurance and Focused Monitoring	84.027	13693	21,277
IDEA Alternative Dispute Resolution	84.027	13007	10,055
IDEA Part B, Preschool Grants	84.173	13430	200,785
IDEA Part B, Private Schools ISP	84.027	10115	46,494
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	309,916
IDEA Preschool Staff Development	84.173A	13431	1,646
Subtotal Special Education Cluster			<u>7,295,015</u>
Special Education - State Personnel Development	84.323	14913	20,937
Special Education - Grants for Infants and Families	84.181	23761	161,463
Career and Technical Education - Basic Grants to States			
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 132 (Carl Perkins Act)	84.048	14893	53,379
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	193,050
Subtotal Career and Technical Education - Basic Grants to States			<u>246,429</u>
Advanced Placement Program Test Fee	84.330	*	5,729
Teaching American History	84.215X	*	265,991
Safe and Supportive Schools Programmatic Intervention	84.184	15164	388,520
Pell Grants	84.063	*	296,860
<b>Total U. S. Department of Education</b>			<u>24,040,030</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	89,196
National School Lunch Program	10.555	13391	5,444,002
Especially Needy Breakfast	10.553	13526	1,492,707
USDA Commodities	10.555	*	550,718
Meal Supplements	10.555	13528	283,364
Subtotal Child Nutrition Cluster			<u>7,859,987</u>
Child and Adult Food Care Program	10.558	13665	319,603
Nutrition Network	10.574	*	254,918
<b>Total U. S. Department of Agriculture</b>			<u>8,434,508</u>
U. S. DEPARTMENT OF DEFENSE:			
J.R.O.T.C	12.030	*	171,122
<b>Total U. S. Department of Defense</b>			<u>171,122</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
CalSERVES After School Program	94.006	*	39,200
<b>Total Corporation for National and Community Service</b>			<u>39,200</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	520,026
Medi-Cal Administrative Activities (MAA)	93.778	10060	397,503
Subtotal Medicaid Cluster			<u>917,529</u>
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>917,529</u>
<b>Total Federal Expenditures</b>			<u>\$ 33,602,389</u>

\* - PCS Number not available or not applicable

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>
<b>ELEMENTARY</b>			
Kindergarten	2,534	2,534	2,537
First through third	7,321	7,321	7,310
Fourth through sixth	7,030	7,030	7,019
Seventh through eighth	4,711	4,711	4,703
Community day school	8	8	8
Home and hospital	24	24	31
Special education	912	912	911
Total Elementary	22,540	22,540	22,519
<b>SECONDARY</b>			
Regular classes	7,041	7,041	6,953
Continuation education	394	394	400
Community day school	13	13	13
Opportunity schools	26	26	21
Home and hospital	59	59	65
Special education	433	433	473
Total Secondary	7,966	7,966	7,925
 Average Daily Attendance Total	 30,506	 30,506	 30,444

\* As the adjustments to Average Daily Attendance that were noted in Audit Finding #2013-2 were discovered before the District had submitted the Second Period Report, the initial Second Period Report that was submitted already included the adjustments.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2013**

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Grade Level	1982-83		1986-87		2012-13 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	31,680	30,800	36,000	35,000	36,000	180	Complied
Grade 1	48,840	47,483	50,400	49,000	51,679	180	Complied
Grade 2	48,840	47,483	50,400	49,000	51,679	180	Complied
Grade 3	48,840	47,483	50,400	49,000	51,817	180	Complied
Grade 4	52,120	50,672	54,000	52,500	54,275	180	Complied
Grade 5	52,120	50,672	54,000	52,500	54,275	180	Complied
Grade 6	52,120	50,672	54,000	52,500	58,292	180	Complied
Grade 7	56,700	55,125	54,000	52,500	58,292	180	Complied
Grade 8	56,700	55,125	54,000	52,500	58,292	180	Complied
Grade 9	56,060	54,503	64,800	63,000	65,284	180	Complied
Grade 10	56,060	54,503	64,800	63,000	65,284	180	Complied
Grade 11	56,060	54,503	64,800	63,000	65,284	180	Complied
Grade 12	56,060	54,503	64,800	63,000	65,284	180	Complied

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>2014 (Budget)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 266,620,529	\$ 271,228,120	\$ 277,941,271	\$ 300,499,650
Expenditures And Other Financing Uses	272,190,706	271,427,867	282,981,783	276,910,687
Net change in Fund Balance	\$ (5,570,177)	\$ (199,747)	\$ (5,040,512)	\$ 23,588,963
Ending Fund Balance	\$ 47,913,545	\$ 53,483,722	\$ 53,683,469	\$ 58,723,981
Available Reserves*	\$ 30,565,780	\$ 35,958,103	\$ 36,814,732	\$ 36,814,732
Available Reserves As A Percentage Of Outgo	11.23%	13.25%	13.01%	13.29%
Long-term Debt	\$ 538,684,413	\$ 558,475,216	\$ 558,632,118	\$ 414,162,186
Average Daily Attendance At P-2	30,506	30,506	32,384	32,501

The General Fund balance has decreased by \$5,240,259 over the past two years. The fiscal year 2013-14 budget projects a decrease of \$5,570,177. For a District this size, the State recommends available reserves of at least 2% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2013-14 fiscal year. Total long term obligations have increased by \$144,313,030 over the past two years due to the issuance of the 2010 Measure C Construction Bonds.

Average daily attendance has decreased by 1,995 ADA over the past two years primarily due to the conversion of Clayton Valley High School to a charter, as approved by the Contra Costa County Office of Education. No change in ADA is anticipated for 2013-14.

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

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

- On behalf payments of \$7,087,940 for CalSTRS are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

See accompanying note to supplementary information.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 2,712,259	\$ 650,801	\$ 3,101,212	\$ 4,028,947	\$ 2,202,166	\$ 9,951,148	\$ 22,646,533
Accounts receivable	2,577,683	509,832	-	-	55	141	-	3,087,711
Due from other funds	-	-	200,000	-	-	-	-	200,000
Stores inventory	-	35,692	-	-	-	-	-	35,692
<b>Total Assets</b>	<b>\$ 2,577,683</b>	<b>\$ 3,257,783</b>	<b>\$ 850,801</b>	<b>\$ 3,101,212</b>	<b>\$ 4,029,002</b>	<b>\$ 2,202,307</b>	<b>\$ 9,951,148</b>	<b>\$ 25,969,936</b>
<b>LIABILITIES</b>								
Deficit cash	\$ 875,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 875,090
Accrued liabilities	125,316	381,292	-	45,300	298,741	27,124	-	877,773
Unearned revenue	8,158	-	-	-	-	-	-	8,158
<b>Total Liabilities</b>	<b>1,008,564</b>	<b>381,292</b>	<b>-</b>	<b>45,300</b>	<b>298,741</b>	<b>27,124</b>	<b>-</b>	<b>1,761,021</b>
<b>FUND BALANCES</b>								
Non-spendable	-	35,693	-	-	-	-	-	35,693
Restricted	31,020	2,840,798	-	3,055,912	3,730,261	2,175,183	9,951,148	21,784,322
Committed	1,538,099	-	850,801	-	-	-	-	2,388,900
<b>Total Fund Balances</b>	<b>1,569,119</b>	<b>2,876,491</b>	<b>850,801</b>	<b>3,055,912</b>	<b>3,730,261</b>	<b>2,175,183</b>	<b>9,951,148</b>	<b>24,208,915</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,577,683</b>	<b>\$ 3,257,783</b>	<b>\$ 850,801</b>	<b>\$ 3,101,212</b>	<b>\$ 4,029,002</b>	<b>\$ 2,202,307</b>	<b>\$ 9,951,148</b>	<b>\$ 25,969,936</b>

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
<b>REVENUES</b>								
Revenue limit sources	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,000
Federal sources	984,195	8,179,590	-	-	-	-	-	9,163,785
Other state sources	236,072	590,053	-	-	-	-	-	826,125
Other local sources	1,476,287	3,487,705	2,205	1,254,584	16,757	32,527	6,537,872	12,807,937
<b>Total Revenues</b>	<b>2,696,554</b>	<b>12,857,348</b>	<b>2,205</b>	<b>1,254,584</b>	<b>16,757</b>	<b>32,527</b>	<b>6,537,872</b>	<b>23,397,847</b>
<b>EXPENDITURES</b>								
Current								
Instruction	2,918,706	-	-	-	-	-	-	2,918,706
Instruction-related services								
Instructional supervision and administration	401,955	-	-	-	-	-	-	401,955
Instructional library, media, and technology	90,131	-	-	-	-	-	-	90,131
School site administration	1,456,552	-	-	-	-	-	-	1,456,552
Pupil services								
Food services	-	12,196,286	-	-	-	-	-	12,196,286
All other pupil services	16,887	-	-	-	-	-	-	16,887
General administration								
All other general administration	100,337	308,633	-	45,405	-	-	-	454,375
Plant services	950,168	36	4	-	-	922,137	-	1,872,345
Facilities acquisition and maintenance	-	-	-	742,760	5,419,530	8,687	-	6,170,977
Community services	856	-	-	-	-	-	-	856
Debt service								
Principal	-	-	-	206,720	-	-	2,545,000	2,751,720
Interest and other	-	-	-	-	-	-	1,288,329	1,288,329
<b>Total Expenditures</b>	<b>5,935,592</b>	<b>12,504,955</b>	<b>4</b>	<b>994,885</b>	<b>5,419,530</b>	<b>930,824</b>	<b>3,833,329</b>	<b>29,619,119</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,239,038)</b>	<b>352,393</b>	<b>2,201</b>	<b>259,699</b>	<b>(5,402,773)</b>	<b>(898,297)</b>	<b>2,704,543</b>	<b>(6,221,272)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	3,437,547	-	200,000	-	-	809,999	-	4,447,546
Transfers out	-	-	-	-	-	-	(809,999)	(809,999)
<b>Net Financing Sources (Uses)</b>	<b>3,437,547</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>809,999</b>	<b>(809,999)</b>	<b>3,637,547</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>198,509</b>	<b>352,393</b>	<b>202,201</b>	<b>259,699</b>	<b>(5,402,773)</b>	<b>(88,298)</b>	<b>1,894,544</b>	<b>(2,583,725)</b>
<b>Fund Balance - Beginning</b>	<b>1,370,610</b>	<b>2,524,098</b>	<b>648,600</b>	<b>2,796,213</b>	<b>9,133,034</b>	<b>2,263,481</b>	<b>8,056,604</b>	<b>26,792,640</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,569,119</b>	<b>\$ 2,876,491</b>	<b>\$ 850,801</b>	<b>\$ 3,055,912</b>	<b>\$ 3,730,261</b>	<b>\$ 2,175,183</b>	<b>\$ 9,951,148</b>	<b>\$ 24,208,915</b>

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

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

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

**Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

**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.

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

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

**Schedule of Charter Schools**

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

**Combining Statements – Non-Major Funds**

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

**Local Education Agency Organization Structure**

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

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

Christy White, CPA

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Tanya M. Rogers, CPA, CFE

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*Licensed by the California  
State Board of Accountancy*

Independent Auditors' Report

Governing Board  
Mount Diablo Unified School District  
Concord, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Mount Diablo Unified School District's basic financial statements, and have issued our report thereon dated December 13, 2013.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2013-1)

### **Compliance and Other Matters**

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

### **Mount Diablo Unified School District's Response to Findings**

Mount Diablo Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Mount Diablo Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Christy White Associates*

San Diego, California  
December 13, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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Tanya M. Rogers, CPA, CFE

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State Board of Accountancy*

Independent Auditors' Report

Governing Board  
Mount Diablo Unified School District  
Concord, California

**Report on Compliance for Each Major Federal Program**

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mount Diablo Unified School District's major federal programs for the year ended June 30, 2013. Mount Diablo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Mount Diablo Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Mount Diablo Unified School District's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Christy White Associates*

San Diego, California  
December 13, 2013



## REPORT ON STATE COMPLIANCE

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### Independent Auditors' Report

Governing Board  
Mount Diablo Unified School District  
Concord, California

#### **Report on State Compliance**

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Mount Diablo Unified School District's state programs for the fiscal year ended June 30, 2013, as identified below.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Mount Diablo Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below 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 on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Mount Diablo Unified School District's compliance with those requirements.

***Opinion on State Compliance***

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2013-2. Our opinion on state compliance is not modified with respect to this matter.

Mount Diablo Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Mount Diablo Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Procedures Performed***

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

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts or charter schools with only one school serving K - 3	4	Not Applicable

*(Continued on the next page)*

*Procedures Performed (continued)*

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

*Christy White Associates*

San Diego, California  
December 13, 2013

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.377, 84.388</u>	<u>School Improvement Grants Cluster, including ARRA</u>
<u>84.367A</u>	<u>Title II, Part A, Teacher Quality</u>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>IDEA Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,008,072</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

**FINDING #2013-1: ASB INTERNAL CONTROL (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

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

*Highlands Elementary*

- The ASB bookkeeper is a signor on the bank account.
- A double signature is not required on checks.

*Foothill Middle School*

- 2 out of 10 disbursements showed that checks were written prior to receiving proper approval.
- 1 out of 10 disbursements was not properly approved and the approval form was missing the signature from the Principal and Student Representative.
- 1 out of 10 disbursements was missing an itemized receipt to support the reimbursement (credit card receipt only).
- 1 out of 10 disbursements was missing a receipt to support the payment.
- Voided checks are not maintained in the file.
- The ASB bookkeeper is also a signer on the account.

*Mt. Diablo High School*

- 9 out of 15 of the cash receipts tested were missing adequate supporting documentation (tally sheets, inventory count, or sales reports) to reconcile the amount of sales or collections to the deposit.
- 2 out of 15 cash receipts could not be traced to the deposit. Auditor could not reconcile the cash receipt to a deposit amount.
- ASB bookkeeper is also a signer on the account.

*Sequoia Middle School*

- 7 out of 10 of the cash receipts tested were missing adequate supporting documentation to reconcile the amount of sales or collections to the deposit.
- A periodic inventory count should be performed for the student store.
- The ASB bookkeeper is also a signer on the account.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
JUNE 30, 2013**

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**FINDING #2013-1: ASB INTERNAL CONTROL (30000) (continued)**

**Condition (continued):**

*Ygnacio Valley High School*

- 9 out of 15 of the cash receipts tested were missing adequate supporting documentation to reconcile the amount of collections/sales to the deposit.
- Revenue Potentials are not used.

*El Dorado Middle School*

- One disbursement had two signatures missing on the check request form. Request form was missing signatures of club administrator and student.

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

**Effect:** The potential for irregularities in accounting to go undetected.

**Perspective:** We audited ASBs at six school sites selected for testing in fiscal year 2012-13. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization.

**Recommendation:** The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the need for sound internal control procedures to be implemented.

**District Response:** The District concurs with the finding. Copies of the 2012 FCMAT Associated Student Body Accounting Manual and Desk Reference have been provided to the school sites and a copy has been placed on the District's internal web server for district-wide reference.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

*There were no federal award findings and questioned costs for the year ended June 30, 2013.*



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**FINDING #2013-2: SHORT-TERM INDEPENDENT STUDY (10000)**

**Criteria:** For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil’s parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)).

**Condition:** Through our testing of the school site short-term Independent Study pupils, we noted the following internal control deficiencies:

*El Dorado Middle School*

- One (1) out of 3 contracts was not completed correctly. There was no indication that the teacher evaluated the completed work to determine the amount of apportionment earned. The effect of these attendance misstatements was an overstatement of five attendance days.

*Foothill Middle School*

- Three (3) out of 5 contracts reviewed indicated an aggregate understatement of four attendance days. In each instance, the amount of credit to be received noted on the contract did not reflect the attendance posted to the system.

*Mt. Diablo High School*

- Five (5) out of 5 of the independent study contracts tested appear to be out of compliance. These same contracts did not have dates for when the parent, student, and principal signed the contract. In addition these contracts tested did not have work samples included with the contract. The aggregate effect of these attendance misstatements is an overstatement of 49 attendance days.

*Sequoia Middle School*

- One (1) out of 5 of the contracts tested was missing a date next to the student and parent signature. In addition, there was no work sample attached to the contract. The aggregate effect of these attendance misstatements is an overstatement of six attendance days.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
JUNE 30, 2013**

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**FINDING #2013-2: SHORT-TERM INDEPENDENT STUDY (10000) (continued)**

**Condition (continued):**

*Woodside Elementary School*

- Two (2) out of 5 independent study contracts appear to be out of compliance as the principal signed following the start date of the contract. The aggregate effect of these attendance misstatements is an overstatement of ten attendance days.

*Ygnacio Valley High School*

- Two (2) out of 4 of the contracts were signed by the principal following the start of the contract. The aggregate effect of these misstatements is an overstatement of 26 attendance days.
- One (1) out of 4 of the contracts tested did not have dates next to the signatures of the parent, student, and principal. The effect of this attendance misstatement is an overstatement of five attendance days.

**Cause:** District procedures were not followed to obtain all required elements of the independent study agreement prior to commencement of independent study.

**Effect:** Overstatement of independent study attendance.

**ADA Impact and Questioned Costs:** In aggregate, 97 total attendance days were overstated as tested. Given 135 days in the 2012-13 P-2 attendance period and a deficated base revenue limit per ADA of \$5,252, the fiscal impact of the ADA overstatement is \$3,774. The District revised P-2 to include the change. The errors appear isolated to minor short-term independent study programs.

**Recommendation:** We recommend that the District revise the Period 2 reports and implement internal control procedures to ensure that independent study contracts are being filled out with all necessary information required by Education Code Section 51747 and completed prior to the beginning of the contract. In addition, independent study coordinators and teachers should evaluate work and assign attendance credit in a collaborative manner to ensure the proper amount of attendance is credited.

**District Response:** The District concurs with the finding. As noted above, the District has already revised the P-2 attendance report to include the effects of the finding.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

*Foothill Middle School*

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

*Mt. Diablo High School*

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

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

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

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

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

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

**Current Status:** Partially implemented, See Finding #2013-1.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

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

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

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

**Current Status:** Implemented.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

**Questioned Cost:** Not applicable.

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

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

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

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

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

**Current Status:** Implemented.