NEW ISSUE
DTC BOOK-ENTRY ONLY
CUSIP+ NO. 621196WU4

2009-1299

RATING
See "RATING" herein
S&P Rating: "SP-1+"

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Notes (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Notes is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters" herein.

$12,000,000
MT. DIABLO UNIFIED SCHOOL DISTRICT
(CONTRA COSTA COUNTY, CALIFORNIA)
2009-10 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery **Due: October 1, 2010**

The Mt. Diablo Unified School District 2009-10 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance seasonal cash flow requirements of the Mt. Diablo Unified School District (the "District") during the fiscal year ending June 30, 2010 (the "Fiscal Year"). The Notes will be initially issued in book-entry form only through the book-entry system of The Depository Trust Company, New York, New York ("DTC"). See "THE NOTES—DTC Book-entry Only" herein.

The Notes, in accordance with California law, represent the general obligation of the District, but are payable solely from taxes, income, revenue, cash receipts, and other moneys received by or accruing to the General Fund of the District during the Fiscal Year and legally available for the payment of the Notes. The Notes are equally and ratably secured by a pledge of an amount equal to the aggregate principal amount of the Notes, together with an amount sufficient to pay the interest thereon, from the Unrestricted Revenues (defined herein) to be received by the District in the months during the Fiscal Year as described herein (the "Pledged Revenues"). The Notes, to the extent not paid from Pledged Revenues, are payable only from any other taxes, income, revenues, cash receipts and moneys of the District lawfully available therefore.

The Notes are legal investments for commercial banks in California and are eligible to secure deposits of public moneys in California.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE NOTES. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The coupon interest rate and the reoffering yield for the Notes are set forth below. Principal of and interest on the Notes will be paid at maturity by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Notes. The Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE

AMOUNT	MATURITY	COUPON INTEREST RATE	REOFFERING YIELD
$12,000,000	October 1, 2010	2.00%	0.46%

The Notes are being purchased for re-offering by Stone & Youngberg LLC as underwriter of the Notes (the "Underwriter"). The Notes will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. It is anticipated that the Notes, in definitive form, will be available for delivery through the facilities of DTC in New York, New York on or about March 18, 2010.

This Official Statement is dated March 4, 2010

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE NOTES BY A PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE NOTES. STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, PROJECTIONS, FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED HEREIN, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACT.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT NO INFORMATION IS GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND ANY INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT SINCE THE DATE HEREOF.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," EXPECT," "ESTIMATE," "PROJECT," "BUDGET" OR SIMILAR WORDS.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE.

THIS OFFICIAL STATEMENT IS SUBMITTED WITH RESPECT TO THE SALE OF THE NOTES REFERRED TO HEREIN AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE, UNLESS AUTHORIZED IN WRITING BY THE DISTRICT. ALL SUMMARIES OF THE DOCUMENTS AND LAWS ARE MADE SUBJECT TO THE PROVISIONS THEREOF AND DO NOT PURPORT TO BE COMPLETE STATEMENTS OF ANY OR ALL SUCH PROVISIONS.

ALL INFORMATION MATERIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE NOTES IS CONTAINED IN THIS OFFICIAL STATEMENT. WHILE THE DISTRICT MAINTAINS AN INTERNET WEBSITE FOR VARIOUS PURPOSES, NONE OF THE INFORMATION ON ITS WEBSITE IS INCORPORATED BY REFERENCE INTO THIS OFFICIAL STATEMENT. ANY SUCH INFORMATION THAT IS INCONSISTENT WITH THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT SHOULD BE DISREGARDED.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

$12,000,000
MT. DIABLO UNIFIED SCHOOL DISTRICT
(CONTRA COSTA COUNTY, CALIFORNIA)
2009-10 TAX AND REVENUE ANTICIPATION NOTES

DISTRICT ADMINISTRATION

Stephen W. Lawrence, Ph.D., Superintendent
Alan Young, Ed.D., Associate Superintendent Educational Services
Gail Isserman, Assistant Superintendent Personnel Services
Mildred Browne, Ed. D., Assistant Superintendent Special Education/Student Services
Rose Lock, Assistant Superintendent Elementary Education
Peder Pedersen, Assistant Superintendent Administrative Services
Bryan Richards, Director Fiscal Services

Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, California 94519-9989
(925) 682-8000

FINANCIAL ADVISOR

Government Financial Strategies inc.
1228 N Street, Suite 13
Sacramento, California 95814-5609
(916) 444-5100

BOND COUNSEL

Quint & Thimmig LLP
575 Market Street, Suite 3600
San Francisco, California 94105
(415) 765-1550

PAYING AGENT

Contra Costa County Treasurer-Tax Collector
County Finance Building
625 Court Street, Room 102
Martinez, California 94553
(925) 957-2850

$12,000,000
MT. DIABLO UNIFIED SCHOOL DISTRICT
(CONTRA COSTA COUNTY, CALIFORNIA)
2009-10 TAX AND REVENUE ANTICIPATION NOTES

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OFFICIAL STATEMENT

$12,000,000
MT. DIABLO UNIFIED SCHOOL DISTRICT
(CONTRA COSTA COUNTY, CALIFORNIA)
2009-10 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and attached appendices, is to provide certain information concerning the sale and delivery of the Mt. Diablo Unified School District (Contra Costa County, California) 2009-10 Tax and Revenue Anticipation Notes (the "Notes") issued in the aggregate principal amount of $12,000,000.

This INTRODUCTORY STATEMENT is not a summary of this Official Statement. It is only a brief description of and guide to and is qualified by more complete and detailed information contained in the entire Official Statement, which includes the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Notes to potential investors is made only by means of this entire Official Statement.

General

This Official Statement has been prepared under the direction of the Mt. Diablo Unified School District (the "District") in order to furnish information with respect to the sale and delivery of the Notes. At the request of the District, the Notes have been authorized pursuant to a resolution (the "Resolution") of the Board of Supervisors (the "County Board") of the County of Contra Costa (the "County") adopted on February 9, 2010, on the behalf of the District.

The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the State Government Code (the "Law"), and under such statute the Notes represent the general obligation of the District, but are payable solely from taxes, income, revenue, cash receipts and other moneys of the District received or accrued during the fiscal year commencing on July 1, 2009, and ending on June 30, 2010 (the "Fiscal Year"), and legally available therefor.

Professionals Involved

Government Financial Strategies inc., Sacramento, California has acted as financial advisor with respect to the sale and delivery of the Notes. See "FINANCIAL ADVISOR" herein. All proceedings in connection with the issuance of the Notes are subject to the approving legal opinion of Quint & Thimmig LLP, Bond Counsel, San Francisco, California ("Bond Counsel").

Other Information

This Official Statement may be considered current only as of the dated date affixed to the cover page hereto, and the information contained herein is subject to change. Brief descriptions of the Notes, the security for the Notes and the District are included in this Official Statement together with summaries of certain provisions of the Resolution. Such descriptions do not purport to be comprehensive or definitive. All references made herein to the authorizing Resolution adopted by the County Board on February 9, 2010, are qualified in their entirety by reference to such document, and references herein to the Notes are qualified in their entirety by reference to the form thereof delivered to the purchaser.

Information concerning this Official Statement, the Notes, the District or any other information relating to the sale and delivery of the Notes, including the Resolution and audited financial statements of the District, are available for public inspection and may be obtained by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100, facsimile telephone (916) 444-5109.

THE NOTES

Authority for Issuance

The Notes are issued under the authority of the Law and pursuant to the Resolution.

Purpose of Issue

Issuance of the Notes will provide moneys to meet the District's General Fund expenditures during the Fiscal Year, including but not limited to current expenses, capital expenditures and the discharge of other obligations or indebtedness of the District.

Borrowing is necessary during the Fiscal Year because the District's General Fund expenditures are expected to occur in relatively level amounts throughout the Fiscal Year while receipts are expected to follow an uneven pattern, primarily as a result of an uneven pattern of State and federal apportionments and secured property tax installment payments. Receipts from these three sources account for a significant portion of the District's total annual revenues. As a result, the District's General Fund cash balance is projected to be sufficiently diminished during a portion of the Fiscal Year to require the issuance of the Notes. The Notes are intended to minimize the likelihood of a cash deficit position occurring within the General Fund during the Fiscal Year.

Description of the Notes

The Notes are being issued as fully registered Notes, without coupons, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only and only in authorized denominations of $1,000 principal amount or any integral multiple thereof. So long as Cede & Co. is the registered owner of the Notes, principal, premium, if any, and interest on the Notes will be payable to Cede & Co., as nominee for DTC, which is obligated to remit such amounts to the Direct or Indirect Participants, as hereinafter defined, for subsequent disbursement to the Beneficial Owners, as hereinafter defined, of the Notes. See "THE NOTES—DTC Book-Entry Only" herein.

The Notes will be dated March 18, 2010, and will mature on October 1, 2010. Principal of and the final interest payment on the Notes will be paid, at maturity, at the rate of interest stated on the cover page hereof. Interest on the Notes is computed on the basis of a 360-day year consisting of twelve 30-day months. The Notes will not be subject to redemption prior to their stated maturity date.

DTC Book-Entry Only

The following information concerning DTC and DTC's book-entry-only system has been obtained from DTC. The District takes no responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The following description includes the procedures and record-keeping with respect to beneficial ownership interest in each Note, payment of principal and interest, other payments with respect to each Note to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Notes with other related transactions by and between DTC, the Participants, and the Beneficial Owners. However, DTC, the Participants, and the Beneficial Owners should not rely on the following with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes (the "Notes"). The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Notes in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Notes Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Notes and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all the Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of The Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

<u>Investment of Operating Funds, Note Proceeds, and Repayment Funds</u>

State law establishes that the treasurer of each county is *ex officio* treasurer of all school districts in the county. Although separately accounted for, substantially all District funds are held and invested on a pooled basis with other funds held by the County Treasurer-Tax Collector (the "Treasurer") in the County Pooled Investment Fund (the "County Pool"). This pooled investment fund consists primarily of operating funds of the County and local agencies (including other school districts, community colleges and special districts) not otherwise invested at the direction of a County Pool participant.

The proceeds received from the sale of the Notes will be deposited in a fund to be held on behalf of the District by the Treasurer separate and distinct from all other County and District funds and accounts designated the Mt. Diablo Unified School District (Contra Costa County, California) 2009-10 Tax and Revenue Anticipation Notes Proceeds Fund (the "Proceeds Fund").

Funds pledged for repayment of the Notes will be deposited in a fund to be held on behalf of the District by the Treasurer separate and distinct from all other County and District funds and accounts designated the Mt. Diablo Unified School District (Contra Costa County, California) 2009-10 Tax and Revenue Anticipation Notes Repayment Fund (the "Repayment Fund").

The Resolution stipulates that moneys held in the Proceeds Fund and Repayment Fund shall be invested by the Treasurer in any one or more investments generally permitted to school districts under the laws of the State, consistent with the investment policy of the County and the Resolution (the "Proceeds Fund Permitted Investments"). Specifically, authorized investments include: (a) the County Pool; (b) at the request of the District, in specific investments permitted under section 53600 *et. seq.* of the California Government Code; and (c) in the sole discretion of the District, (i) the Local Agency Investment Fund maintained by the Treasurer of the State; and (ii) investment agreements with financial institutions with senior unsecured credit ratings in one of the two highest rating categories (without regard to any refinement or gradation of such rating category by a plus or minus or a numeral) from one or more nationally recognized statistical rating organization then rating the Notes.

Sources and Uses of Funds

The sources and uses of funds in connection with the sale and delivery of the Notes are projected as set forth in the exhibit below.

Sources and Uses of Funds
Mt. Diablo Unified School District
2009-10 Tax and Revenue Anticipation Notes

SOURCES OF FUNDS	
Par Amount of Notes	$12,000,000.00
Original Issue Premium	98,760.00
TOTAL SOURCES OF FUNDS	$12,098,760.00
USES OF FUNDS	
Proceeds Fund	$12,093,000.00
Underwriter's Discount	5,760.00
TOTAL USES OF FUNDS	$12,098,760.00

SECURITY AND SOURCES OF REPAYMENT FOR THE NOTES

Security for the Notes

The Notes and the interest thereon are a general obligation of the District, but are payable solely from taxes, income, revenues, cash receipts and other moneys received or accrued by the District during the Fiscal Year and legally available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). Certain Unrestricted Revenues to be received by the District have been specifically pledged, as hereinafter described, to the total repayment of the Notes and the interest thereon.

As security for the timely payment of the Notes and the interest thereon, the Resolution requires the County, on the behalf of the District, to transfer the Pledged Revenues, as defined below, during the months such moneys are received, to the Repayment Fund. The County has committed to deposit in the Repayment Fund (i) an amount equal to 75% of the aggregate principal amount of the Notes from the Unrestricted Revenues to be received by the District in July 2010, and (ii) an amount equal to 25% of the aggregate principal amount of the Notes, together with an amount sufficient to pay the interest thereon, from the Unrestricted Revenues to be received by the District in August 2010, together, if necessary, with an amount sufficient (net of anticipated earnings on the moneys in the District's Repayment Fund) to satisfy and to make up any deficiency therein. The amounts pledged by the County for deposit into the Repayment Fund from the Unrestricted Revenues are referred to as "Pledged Revenues". The principal of the Notes and the interest thereon will constitute a first lien and charge against, and will be payable from, the District's Pledged Revenues.

In the event that there are insufficient Unrestricted Revenues received by the District to permit the deposit in the Repayment Fund of the full amount of the Pledged Revenues to be deposited in any month on the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available therefor.

On the maturity date of the Notes, the Treasurer, acting as paying agent on the Notes, will apply moneys in the Repayment Fund to pay the principal of and the interest on the Notes, as required. Until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund will be applied only for the purpose for which such Repayment Fund has been created, although they may be invested in legal investments, as permitted by the Government Code of the State, subject to the limitations contained in the Resolution. See "THE

NOTES—Investment of Operating Funds, Note Proceeds, and Repayment Funds" herein. Any moneys in the District's Repayment Fund after payment of all amounts due, or after provision for such payment has been made, will be transferred to the General Fund of the District.

Available Sources of Payment

The District will covenant in the Notes to set aside 75% of the principal due on the Notes from Unrestricted Revenues received in the month ending July 31, 2010, and 25% of the principal and all of the interest due on the Notes from Unrestricted Revenue received in the month ending August 31, 2010. The District projects that the Unrestricted Revenues available in July and August 2010 will consist primarily of State apportionments made to the District for the Fiscal Year, the payment of which has been deferred by the State to July and August 2010 (the "Deferred Revenues"). The Deferred Revenues are projected to be approximately $19.3 million. The District also projects the receipt of an additional $25.7 million of cash in July and August 2010 attributable to the Fiscal Year from other State, federal and local sources. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Projected and Actual Cash Flows" and "STATE FUNDING OF PUBLIC EDUCATION—The 2009-10 State Budget."

Although the State may treat some or all of the Deferred Revenues as expenditures for the fiscal year in which they are made, the District is authorized under State law to elect to treat such Deferred Revenues for budgetary and financial reporting purposes as a receivable in the current fiscal year. The District has historically treated deferrals of State apportionment payments in this manner and intends to treat the Deferred Revenues as a receivable for the Fiscal Year. Consequently, the Deferred Revenues should constitute Unrestricted Revenues and be subject to the pledge for the repayment of the Notes.

In connection with the rating of the Notes by Standard & Poor's Rating Service ("Standard & Poor's"), Bond Counsel was requested to render an opinion to Standard & Poor's as to whether the Deferred Revenues are revenues that may be applied to repay the Notes if they are not received by the District until fiscal year 2010-11. Bond Counsel has delivered its opinion to Standard & Poor's which states that it is not aware of any case law that addresses this specific question, and, accordingly, this matter is not free from doubt. However, it is of the opinion that, if the matter were properly briefed and presented to a court of competent jurisdiction, the court should hold that any of the Deferred Revenues that lawfully could have been applied to repay the Notes if those revenues had been received in the Fiscal Year remain available to repay the Notes even if not received until fiscal year 2010-11. This opinion is subject to the assumptions, qualifications and limitations set forth therein, including assumptions that certain facts exist and that certain circumstances will occur. Bond Counsel can provide no assurance that such facts or circumstances will exist or occur as assumed in the opinion. This opinion is based on an analysis of existing laws and court decisions, and covers certain matters not directly addressed by such authorities.

Bond Counsel's opinion is not binding on a court and does not guarantee the outcome of the matter addressed in the opinion. Accordingly, it is possible that a court would reach an opinion contrary to that expressed by Bond Counsel and hold that the Deferred Revenues are not subject to the pledge to repay the Notes.

Projected and Actual Monthly Cash Flows

The District has prepared for use in this Official Statement the following cash flow statements that show actual cash receipts and disbursements for fiscal year 2008-09, actual and projected cash receipts and disbursements for the Fiscal Year, and projected cash receipts and disbursements through maturity of the Notes.

The District's cash flows reflect the enactment of the 2009-10 State Budget Revision (defined herein) [as well as the Proposed 2010-11 State Budget (defined herein). Under the 2009-10 State Budget Revision, the monthly payment schedule for K-12 apportionment funding and categorical funding from the State was modified to distribute five percent of total payments in each of July and August and nine percent in each of the remaining months, with certain payment deferrals enacted. With the additional deferrals incorporated into the 2009-10 State Budget Revision, total deferrals of State K-12 revenue limit payments in fiscal year 2009-10 are approximately $8.6 billion. These deferrals include:

- $1.0 billion from July 2009 to December 2009.
- $1.5 billion from August 2009 to October 2009.
- $1.0 billion from November 2009 to January 2010.
- $2.0 billion from February 2010 to July 2010.
- $679 million from April 2010 to August 2010.
- $1.0 billion from May 2010 to August 2010.
- $1.4 billion from June 2010 to July 2010.

The 2009-10 State Budget Revision provides increased flexibility with respect to funding allocated to certain categorical programs through fiscal year 2012-13. Pursuant to this provision, school districts will be able to shift funds to meet higher priority needs. See “STATE FUNDING OF PUBLIC EDUCATION-The 2009-10 State Budget” herein. In addition, the District’s cash flows reflect the actual and projected receipt of federal funds authorized pursuant to the American Reinvestment and Recovery Act of 2009. The District cannot predict when the remaining federal funds will be received.

The District updates its cash flow projections when it submits to the County Office of Education its first interim and second interim financial reports no later than December 15, 2009, and March 15, 2010, respectively. Copies of the District’s interim reports for the Fiscal Year will be available to prospective investors and/or their representatives upon request by contacting the District or the District’s financial advisor at the addresses and telephone numbers set forth on page “iii” of this Official Statement.

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MT DIABLO UNIFIED SCHOOL DISTRICT
ACTUAL MONTHLY CASH FLOW OF THE GENERAL FUND
FISCAL YEAR 2008-09

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
BEGINNING CASH	$27,878,072	$19,397,355	$17,685,509	$10,602,085	$11,338,916	$15,343,443	$63,093,949	$41,892,705	$30,783,998	$14,697,340	$50,797,150	$26,084,204	$27,878,072
RECEIPTS													
Revenue Limit Sources													
Property Tax	$0	$0	$515,107	$3,719,951	($12,103)	$48,395,357	$0	$511,933	$0	$47,605,323	($6,403,659)	$7,530,747	$101,862,655
State Apportionments	(1,725,549)	11,275,972	12,309,603	4,188,711	6,732,078	6,733,715	6,733,715	7,414,102	4,909,805	6,341,243	6,341,243	0	$71,254,639
Other	55,847	91,460	9,975	81,761	82,689	80,293	67,391	87,673	87,403	77,845	86,892	(670,638)	$138,592
Federal Revenue	(4,037,892)	1,360,657	244,694	413,703	521,973	6,848,045	662,392	210,557	1,305,891	2,546,945	111,156	9,426,474	$19,614,596
Other State Revenue	(2,788,130)	4,322,157	1,815,918	16,499,296	5,725,862	7,438,259	4,218,417	3,698,321	5,716,676	6,783,455	2,854,647	489,726	$56,774,602
Other Local Revenues	(307,605)	254,580	777,966	1,111,911	1,043,099	305,830	441,741	533,445	478,448	1,511,069	582,377	1,373,575	$8,106,437
Other Sources	0	0	0	0	0	445,791	0	0	0	0	0	0	$445,791
Interfund Transfers	192,704	0	0	(16)	0	0	0	0	0	0	0	513,673	$706,360
Accounts Receivable	22,469,862	190,993	837,539	84,496	17,461	(130,462)	(14,535)	65,349	3,493	(252,264)	240,835	0	$23,512,767
Note and Interest Earnings	0	0	0	0	14,207,452	0	0	0	0	0	0	142,548	14,350,000
TOTAL RECEIPTS	$13,859,238	$17,495,818	$16,510,802	$26,099,813	$28,318,511	$70,116,828	$12,109,121	$12,521,380	$12,501,717	$64,613,616	$3,813,492	$18,806,104	$296,766,439
DISBURSEMENTS													
Certificated Salaries	$1,340,240	$3,411,280	$12,416,156	$12,936,216	$13,244,641	$8,561,877	$17,760,364	$12,904,153	$13,151,496	$13,141,667	$13,018,790	$14,201,583	$136,088,463
Classified Salaries	1,711,814	3,098,950	3,792,785	3,973,381	4,268,280	4,093,341	3,901,186	4,002,026	4,228,857	4,027,960	3,772,254	4,688,256	45,559,089
Employee Benefits	2,472,749	3,323,124	4,312,244	4,394,718	4,447,088	3,692,181	5,236,100	5,175,481	4,838,834	4,827,360	4,787,347	4,808,149	52,315,375
Supplies and Services	1,199,230	3,486,381	4,009,489	4,120,136	2,949,924	5,297,082	3,934,954	3,065,518	4,037,260	4,017,279	3,293,603	9,106,156	48,517,012
Capital Outlay	(41,816)	481,312	306,446	253,034	117,491	42,076	460,565	60,205	42,046	99,129	245,514	163,784	2,229,786
Interfnd Transfers	0	0	0	0	0	865,222	0	137,419	0	0	575,080	(582,088)	995,632
Other Outgo	(22,615)	(19,655)	(51,056)	854,723	669,358	170,636	0	(54,366)	75,048	(52,661)	139,133	1,212,495	2,921,040
Accounts Payable	15,680,354	5,426,273	(1,191,837)	(1,169,226)	(1,382,799)	(356,093)	(1,482,805)	(1,660,350)	(1,285,166)	(1,046,928)	(1,155,283)	(8,055,806)	2,320,336
Note Pledge	0	0	0	0	0	0	3,500,000	0	3,500,000	3,500,000	3,850,000	0	14,350,000
TOTAL DISBURSEMENTS	$22,339,955	$19,207,664	$23,594,226	$25,362,982	$24,313,984	$22,366,322	$33,310,365	$23,630,086	$28,588,375	$28,513,806	$28,526,438	$25,542,530	$305,296,733
NET CHANGE CASH	($8,480,717)	($1,711,846)	($7,083,424)	$736,831	$4,004,527	$47,750,506	($21,201,244)	($11,108,706)	($16,086,658)	$36,099,810	($24,712,946)	($6,736,426)	($8,530,294)
ENDING CASH	$19,397,355	$17,685,509	$10,602,085	$11,338,916	$15,343,443	$63,093,949	$41,892,705	$30,783,998	$14,697,340	$50,797,150	$26,084,204	$19,347,777	$19,347,777

2008-09 NOTE REPAYMENT FUND													
Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$3,500,000	$3,500,000	$7,000,000	$10,500,000	$14,350,000	$0
Receipts	0	0	0	0	0	0	3,500,000	0	3,500,000	3,500,000	3,850,000	0	14,350,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	$0	$0	$0	$0	$0	$0	$3,500,000	$3,500,000	$7,000,000	$10,500,000	$14,350,000	$14,350,000	$14,350,000

MT DIABLO UNIFIED SCHOOL DISTRICT
ACTUAL AND PROJECTED MONTHLY CASH FLOW OF THE GENERAL FUND
FISCAL YEAR 2009-10

	JUL (ACT)	AUG (ACT)	SEP (ACT)	OCT (ACT)	NOV (ACT)	DEC (ACT)	JAN (ACT)	FEB	MAR	APR	MAY	JUN	TOTAL
BEGINNING CASH	$19,347,777	$36,152,634	$22,117,617	$10,581,651	$7,986,541	$0	$23,336,201	$30,491,932	$9,726,422	$10,110,692	$45,722,233	$25,743,784	$19,347,777
RECEIPTS													
Revenue Limit Sources													
Property Tax	$0	$0	$0	$0	$3,731,477	$43,295,500	$0	$0	$0	$46,717,122	$0	$0	$93,744,099
State Apportionments	310,487	0	6,090,459	8,072,544	3,051,416	0	17,970,967	385,975	6,947,542	4,631,695	3,473,771	0	$50,934,856
Other	21,982	19,475	70,544	75,434	64,232	85,791	66,264	9,837	177,067	118,045	88,534	(0)	$797,205
Federal Revenue	(1,439,330)	1,933,720	1,597,651	982,763	2,791,907	306,878	3,347,099	180,596	1,120,072	2,184,533	95,339	6,796,665	$19,897,895
Other State Revenue	(153,741)	254,541	2,981,395	11,985,777	3,720,177	27,115	14,879,567	3,661,911	5,660,396	6,716,673	2,826,543	2,662,852	$55,223,207
Other Local Revenues	(511,645)	259,182	1,076,661	901,500	770,645	758,983	1,523,868	571,588	512,659	1,619,116	624,019	1,616,248	$9,722,826
Other Sources	0	0	0	0	0	384,812	0	0	0	0	0	0	$384,812
Interfund Transfers	1,243,926	0	1,236	0	0	0	0	0	0	0	0	0	$1,245,162
Accounts Receivable	38,896,202	177,085	(431,426)	8,990	(1,479)	600,431	87,576	0	0	0	0	0	$39,337,380
Note and Interest Earnings	0	0	0	0	0	0	0	0	12,093,000	0	0	0	12,093,000
TOTAL RECEIPTS	$38,367,882	$2,644,003	$11,386,521	$22,027,008	$14,128,375	$45,459,510	$37,875,342	$4,809,908	$26,510,737	$61,987,183	$7,108,206	$11,075,765	$283,380,441
DISBURSEMENTS													
Certificated Salaries	$1,148,346	$2,317,953	$11,844,980	$12,064,214	$12,422,590	$8,026,668	$17,230,827	$12,020,279	$12,250,681	$12,241,524	$12,127,064	$13,228,841	$126,923,967
Classified Salaries	1,572,443	2,846,523	3,784,634	3,810,550	4,249,919	3,997,595	3,755,520	3,389,248	3,581,347	3,411,210	3,194,658	3,970,404	41,564,049
Employee Benefits	2,438,860	2,844,809	4,597,533	4,579,659	4,665,745	3,871,233	5,727,582	5,493,995	5,136,630	5,124,450	5,081,974	5,104,057	54,666,526
Supplies and Services	2,270,735	3,043,505	2,933,422	4,068,378	4,112,343	3,908,546	4,247,651	4,372,913	5,071,965	5,667,480	4,905,056	11,999,491	56,601,486
Capital Outlay	6,894	574	322,782	9,131	33,240	15,371	22,526	3,602	2,516	5,931	14,690	9,800	447,057
Interfnd Transfers	284,920	0	431,437	599,645	216,126	384,812	1,272,848	382,215	0	0	1,599,519	451,073	5,622,595
Other Outgo	(26,802)	(26,729)	856,878	(69,630)	306,496	(56,467)	423,110	(86,835)	83,331	(74,953)	163,694	1,493,509	2,985,602
Accounts Payable	13,867,630	5,652,385	(1,849,179)	(439,830)	(1,221,558)	(694,431)	(1,960,453)	0	0	0	0	(13,354,563)	0
Note Pledge	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	$21,563,025	$16,679,021	$22,922,487	$24,622,117	$24,784,900	$19,453,326	$30,719,611	$25,575,417	$26,126,468	$26,375,642	$27,086,655	$22,902,612	$288,811,282
DRAWS ON OTHER FUNDS	$0	$0	$0	$0	$2,669,983	($2,669,983)	$0	$0	$0	$0	$0	$0	$0
NET CHANGE CASH	$16,804,857	($14,035,017)	($11,535,966)	($2,595,109)	($7,986,541)	$23,336,201	$7,155,731	($20,765,510)	$384,269	$35,611,541	($19,978,449)	($11,826,847)	($5,430,841)
ENDING CASH	$36,152,634	$22,117,617	$10,581,651	$7,986,541	$0	$23,336,201	$30,491,932	$9,726,422	$10,110,692	$45,722,233	$25,743,784	$13,916,937	$13,916,937
2009-10 NOTE REPAYMENT FUND													
Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
Disbursements	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

MT DIABLO UNIFIED SCHOOL DISTRICT
PROJECTED MONTHLY CASH FLOW OF THE GENERAL FUND
FISCAL YEAR 2010-11 THROUGH NOTE REPAYMENT [1]

	JUL	AUG	SEP
BEGINNING CASH	$13,916,937	$27,147,644	$17,879,089
RECEIPTS			
Revenue Limit Sources			
Property Tax	$0	$0	$0
State Apportionments	326,012	0	6,394,982
Other	23,082	20,448	74,071
Federal Revenue	0	1,236,227	1,021,378
Other State Revenue	0	251,792	2,949,196
Other Local Revenues	0	255,243	1,060,296
Other Sources	0	0	0
Interfund Transfers	0	0	1,236
Accounts Receivable - Deferred State Apportionments	13,509,109	5,789,618	0
Accounts Receivable - Other	25,493,136	208,137	0
Note and Interest Earnings	0	0	0
TOTAL RECEIPTS	$39,351,338	$7,761,465	$11,501,159
DISBURSEMENTS			
Certificated Salaries	$1,122,508	$2,265,799	$11,578,468
Classified Salaries	1,545,868	2,798,417	3,720,673
Employee Benefits	2,445,933	2,853,059	4,610,866
Supplies and Services	2,064,252	2,766,752	2,666,680
Capital Outlay	6,894	574	322,782
Interfnd Transfers	284,920	0	431,437
Other Outgo	0	0	909,318
Accounts Payable	9,650,256	3,216,752	0
Note Pledge	9,000,000	3,128,667	0
TOTAL DISBURSEMENTS	$26,120,631	$17,030,020	$24,240,224
NET CHANGE CASH	$13,230,708	($9,268,555)	($12,739,064)
ENDING CASH	$27,147,644	$17,879,089	$5,140,025

2009-10 NOTE REPAYMENT FUND			
Beginning Balance	$0	$9,000,000	$12,128,667
Receipts	9,000,000	3,128,667	0
Disbursements	0	0	0
Ending Balance	$9,000,000	$12,128,667	$12,128,667

[1] Includes fiscal year 2010-11 revenues which are not pledged to repay the Notes. The Notes are payable from the Pledged Revenues and other avaialbe moneys described herein.

Other District Funds

The State Education Code authorizes school districts to temporarily transfer up to 75% of the cash from a specific purpose fund to any other district fund by district board action, provided that the transferred cash is repaid to the original fund within the same fiscal year, or, if transferred within the final 120 days of the fiscal year, by the following fiscal year. However, depending upon circumstances, other State or federal law, grant or contractual restrictions may further restrict or prevent such temporary cash transfers.

The District maintains certain segregated and special purpose funds outside of the General Fund. These other District funds are not pledged to the payment of the Notes and are generally restricted in purpose. However, these other District funds could be accessed by the General Fund on a temporary basis through action of the District's Board of Education (the "District Board"), if needed and to the extent monies are available therein. The District is projecting cash balances in certain other District funds (other than debt service funds) as set forth below.

Other Funds Cash Balances
Mt. Diablo Unified School District

Fund	Audited Balance as of June 30, 2008	Audited Balance as of June 30, 2009	Projected Balance as of June 30, 2010	Projected Balance as of October 1, 2010
Adult Education	$1,020,212	$758,899	$307,093	$307,093
Cafeteria	714,052	1,170,338	1,170,338	1,170,338
Deferred Maintenance	4,581,626	2,215,488	1,509,711	1,509,711
Building (General obligation bond proceeds)	9,163,926	5,476,818	3,577,956	2,577,956
Capital Facilities (Developer fees)	2,507,366	2,833,133	2,783,133	2,783,133
County School Facilities (State construction funds)	25,428,936	22,340,528	11,540,913	6,540,913
Capital Project (Mello-Roos construction funds)	3,777,516	2,189,191	143,554	143,554
Total	$47,193,634	$36,984,395	$21,032,698	$15,032,698

Borrowing from Other Agencies

The State Constitution and the State Education Code allow school districts to borrow County-held funds of other agencies up until the last Monday in April of each fiscal year in amounts that do not exceed 85% of revenues accrued. The District has covenanted that it will not request the Treasurer to make temporary transfers of funds in the Treasurer's custody to meet any obligations of the District during the Fiscal Year unless the full amount of Pledged Revenues has previously been deposited into the Repayment Fund.

Limitation on Noteholder Remedies

The opinion of Bond Counsel with respect to the Notes, attached hereto as "APPENDIX C", is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Bankruptcy of the County or the District could affect the security of the owners of Notes, the ability of an owner to be paid in a timely manner, or both. If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment. If the District were to file for bankruptcy, the Treasurer may be enjoined from applying set-aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment.

CONTRA COSTA COUNTY INVESTMENT FUND

The information set forth under this section relating to the County Pool has been obtained from the office of the Treasurer and is believed to be reliable but is not guaranteed as to accuracy or completeness. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the County of Contra Costa, *Office of the Treasurer-Tax Collector, 625 Court Street, Room 102, Martinez, California 94553, Telephone (925) 957-2850, Facsimile Telephone (925) 957-2899, or by accessing the Treasurer's website: http://www.co.contra-costa.ca.us/.*

State law requires that all moneys of the County, school districts, and certain special districts be held in the County treasury by the Treasurer. The Treasurer has the authority to implement and oversee the investment of funds held in the County Pool in accordance with State Government Code Section 53600 *et seq*. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. The Treasurer accepts funds only from agencies located within the County. Funds held in the County Pool are invested by the Treasurer in accordance with State law and the County's investment policy, which is prepared by the Treasurer and approved by the County Board.

The current County investment policy was adopted by the County Board in June 2009. The policy statement sets forth the Treasurer's investment objectives, which are, in order of importance, safety of principal, liquidity, and yield. In addition, the County's investment policy describes the instruments eligible for inclusion in the investment portfolio and the limitations applicable to each type. An Investment Oversight Committee meets quarterly to advise the County on any future changes in investment policy as well as to regularly monitor and report on the investment performance of the County Pool.

The total County Pool equaled $1,585,986,572 on September 30, 2009, with fair value of $1,590,864,265, 100.3% of cost. As of September 30, 2009, the weighted average maturity of the County Pool was 148.1 days. More than 85% of the County Pool, or approximately $1.35 billion, has been invested in securities that will mature in less than a year. A detailed description of the composition, cost, par value and market value of the County Pool is provided in the following table.

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Composition of County Pool as of September 30, 2009
Contra Costa County

Investment Type	Par Value	Cost	Fair Value	Portfolio % of Cost
A. Investments Managed by Treasurer's Office				
U.S. Treasuries (STRIPS, Bills, Notes)	$34,936,000	$34,491,184	$35,152,980	2.17%
U.S. Agencies				
Federal Agriculture Mortgage Corporation	$6,751,000	$7,032,399	$7,190,371	0.44%
Federal Home Loan Banks	134,826,000	136,353,994	138,265,346	8.60%
Federal National Mortgage Association	61,122,000	61,054,878	61,968,656	3.85%
Federal Farm Credit Banks	24,582,000	24,932,526	25,163,837	1.57%
Federal Home Loan Mortgage Corporation	73,093,000	73,608,317	73,646,409	4.64%
Municipal Bonds	1,000,000	1,000,000	1,000,000	0.06%
Subtotal	$301,374,000	$303,982,113	$307,234,620	19.17%
Money Market Instruments				
Bankers Acceptance	$34,125,000	$33,978,200	$34,117,076	2.14%
Repurchase Agreement	85,000,000	85,000,000	85,000,000	5.36%
Commercial Paper	245,344,000	245,311,033	245,326,869	15.47%
Negotiable Certificates of Deposit	178,907,000	178,907,000	179,016,520	11.28%
Corporate Notes	33,587,000	33,686,397	33,337,861	2.12%
Time Deposit	3,077	3,077	3,077	0.00%
Subtotal	$576,976,077	$576,885,707	$576,801,403	36.37%
TOTAL	$913,276,077	$915,359,004	$919,189,002	57.72%
B. Investments Managed by Outside Contractors				
Local Agency Investment Fund	$439,926,508	$439,926,508	$440,612,061	27.74%
Other				
California Asset Management Program (RDA)	29,295	29,295	29,325	0.00%
Other	471,480	471,480	458,032	0.03%
Wells Fargo Asset Management (324-131235)	45,079,428	45,385,323	45,384,142	2.86%
Columbia Management Group (Bank of America)	38,483,708	38,660,631	38,657,483	2.44%
CalTRUST	65,546,989	65,546,989	65,609,150	4.13%
Futuris Public Entity Investment Trust	9,209,988	9,209,988	9,526,717	0.58%
Subtotal	$158,820,889	$159,303,706	$159,664,849	10.04%
TOTAL	$598,050,477	$598,332,334	$599,142,620	37.78%
C. Cash	$71,398,353	$71,398,353	$71,398,353	4.50%
Grand Total	$1,583,420,827	$1,585,986,572	$1,590,864,265	100.00%

Source: County of Contra Costa, Treasurer-Tax Collector

General Information

The District is a political subdivision of the State and was established on July 1, 1949 after a successful unification election held the previous December by the former Mt. Diablo Union High School District and the twelve elementary feeder school districts within its boundaries. The District encompasses approximately 150 square miles and is located 30 miles northeast of San Francisco. The boundaries of the District include the cities of Concord, Pleasant Hill and Clayton, portions of Walnut Creek, Lafayette, Pittsburg and Martinez and the unincorporated areas of Bay Point and Pacheco. The District is traversed east-west by State Highway 4 and north-south via Interstate 680, a main route between northern and southern San Francisco Bay Area cities. The region is also served by the Bay Area Rapid Transit District, which has four stations and one terminal in the area.

The District operates 31 elementary schools, 10 middle schools and six high schools, with 13 alternative school programs and an adult education program. In addition, one charter elementary school operates within the District.

The Board of Education and Key Administrative Personnel

The District Board governs all activities related to public education within the jurisdiction of the District. The District receives funding from local, State and federal government sources, and the District Board must ensure compliance with the concomitant requirements of these funding source entities. The District Board consists of five members. Each District Board member is elected by the public for a four-year term of office and elections for the District Board are held every two years. The District Board has the decision-making authority and is accountable for all fiscal matters relating to the District. The Superintendent of the District is appointed by the District Board and reports to the District Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. The current members of the District Board and key administrative personnel are set forth on page “iii” of this Official Statement.

Board Member Information
Mt. Diablo Unified School District

Name	Title	Term Expires
Gary L. Eberhart	President	December 2012
Paul Strange	Vice President	December 2010
Richard W. Allen	Member	December 2010
Linda K. Mayo	Member	December 2010
Sherry Whitmarsh	Member	December 2012

Average Daily Attendance

Student enrollment in a California public school district determines to a large extent what the school district will receive in terms of funding for program, facilities and staff needs. Average daily attendance (“ADA”) is a measurement of the enrollment of a school 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. See “STATE FUNDING OF PUBLIC EDUCATION” herein.

Set forth below is the District's Period 2 ADA for grades kindergarten through twelve (excluding special education ADA reported by county offices) and Period 2 ADA for adult education.

Average Daily Attendance
Mt. Diablo Unified School District

Year	2005-06	2006-07	2007-08	2008-09	2009-10
K-12	34,240	33,523	33,357	33,141	32,491
Adult	2,229	2,150	2,108	2,493	2,560
TOTAL	36,469	35,673	35,465	35,634	35,051

Note: 2009-10 ADA is projected.

Teacher-to-Pupil Ratios

Set forth below are the teacher-to-pupil ratios for the District for the Fiscal Year.

Teacher-to-Pupil Ratios
Mt. Diablo Unified School District

High Schools	Ratio*
Enrollment 0 – 799	27.5 to 1
Enrollment 800 – 999	28.9 to 1
Enrollment 1000 and over	30.5 to 1
Continuation High School	25.0 to 1
Middle Schools	**Ratio**
Enrollment 0 – 599	28.5 to 1
Enrollment 600 and over	29.5 to 1
Elementary Schools	**Ratio**
Kindergarten – Grade 3	29.5 to 1
Grades 4 – 6	31.5 to 1

*Teacher-to-pupil ratios are lower in the five schools receiving Quality Education Investment Act funding.

Charter Schools

There is one charter school operating within the District, Eagle Peak Montessori Charter School, currently serving grades one through five. To the extent charter schools draw students from District schools and reduce District enrollment, charter schools can adversely affect District revenues. Pursuant to Proposition 39, school districts are required to provide facilities comparable to those provided to regular District students for charter schools having a projected average daily attendance of at least 80 or more students from that district.

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units which then are to be represented by an exclusive bargaining agent.

The District has four recognized employee bargaining units: (i) the Mt. Diablo Education Association ("MDEA"), which represents teachers, nurses, librarians and other non-management certificated employees; (ii) the California School Employees Association ("CSEA"), which represents para-professional employees; (iii) the Public Employees Union, Local #1, ("Local #1") which represents two distinct groups: a) the maintenance and operations group including craftsmen, custodians, bus drivers and food service personnel, and b) the clerical, secretarial and technical group; and, (iv) the Mt. Diablo School Psychologists Association ("MDSPA"), which represents the District's psychologists.

Set forth in the following table are the District's bargaining units, number of employees by full-time equivalents ("FTEs") based on reported figures in the District's Fiscal Year budget, and contract status.

Not represented in the following table is the Diablo Management Association. The Diablo Management Association is comprised of employees in the management, confidential, supervisory, and other similar groups, with a total of 201 FTEs. This association has no bargaining power.

Bargaining Units, Number of Employees, and Contract Status
Mt. Diablo Unified School District

Unit	# of FTEs	Contract Status
MDEA	1,645	Settled for the Fiscal Year
CSEA	419	Settled for the Fiscal Year
LOCAL #1	652	Settled for the Fiscal Year
MDSPA	56	Settled for the Fiscal Year

Pension Plans

All full-time employees of the District are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Classified employees are eligible to participate in the multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

STRS operates under the State Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of public schools within the State meeting the eligibility requirements. STRS provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty-five.

All full-time classified employees of the District participate in PERS, which provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and District resolution. For a more complete description of the District's pension plan and annual contribution requirements, see "APPENDIX A" attached hereto.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits.

GASB Statement No. 45 ("GASB 45") was effective for the District beginning fiscal year 2007-08.

GASB 45 provides that agencies should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree other post-employment benefits ("OPEB"), for the period of time agreed in union contracts. Employees who are eligible to receive OPEB while in retirement must meet specific criteria, i.e., age and years with the District. The District provides post-employment health care benefits in the form of subsidized health insurance, in accordance with the District's employment contracts, to qualifying employees until age 65.

In early 2008, in accordance with GASB 45, Total Compensation Systems, Inc. completed an actuarial study identifying the District's OPEB liability. The study determined the District's OPEB unfunded actuarial accrued liability ("UAAL") as of May 1, 2008 to be $71,018,299. For fiscal year 2008-09, the annual required contribution ("ARC") was determined to be $8,043,769. The District has no plans to fund its UAAL. Expenditures for OPEB are recognized on a pay-as-you-go basis. The District's actual OPEB expenditures in fiscal year 2008-09 were $3,882,275. The District has budgeted $4,073,677 for OPEB expenditures during the Fiscal Year.

DISTRICT FINANCIAL INFORMATION

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual, which must be used by all school districts within the State pursuant to Section 41010 of the State Education Code. The District's basic financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the District's General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" herein for a further discussion of applicable accounting policies.

The District's independent auditor for the fiscal year ended June 30, 2009 is Nigro, Nigro & White PC, San Diego, California. The financial statements of the District as of and for the fiscal year ended June 30, 2009, are set forth in "APPENDIX A" attached hereto. The auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter.

Budget and Financial Reporting Process

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for school districts.

The fiscal year for all school districts is July 1 to June 30. The State budget is an extremely important input in the school district budget preparation process, as school districts depend on State funding for a significant portion of their revenue. There is a very close timing in the summer between final approval of the State budget, school finance legislation, and the adoption of school district budgets. In some years, the State budget is not approved by the July 1st deadline, which forces school districts to begin the new fiscal year with only estimates of the amount of money they will actually receive.

The District budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on the critical estimates of enrollment, fixed costs, commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education.

The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to teachers must be delivered in March, with final notices in May. This necessitates projecting enrollments and determining staffing needs long before a school district will know either its final financial positions for the current year or its income for the next one.

The governing board must submit a budget to the County Superintendent by July 1, and a publicized opportunity for public participation in the budget process is required by law. There are two options for budget adoption. School districts may adopt their budgets by July 1 and then revise and readopt them by September 8 after a public hearing. Alternatively, school districts may decide, by the previous October 31, to hold public hearings before adopting their budgets by July 1. School districts choosing this latter option revise their revenues and expenditures after the State budget act is adopted without a second public hearing. Legislation requires criteria and standards for stringent review of school districts' finances, focusing primarily on predictions of average daily attendance, operating deficit, and reserves. All school districts must perform a criteria and standards review before budget adoption. In addition, those school districts on the alternative schedule for adoption must repeat the criteria and standards review before their revision only if their July 1 budget was disapproved. The legislation also dictates when and how outside committees, or an appointed paying agent in emergency situations, must work with school districts. This oversight is part of an effort to reduce the number of districts in financial trouble and to increase the responsible use of tax dollars.

The county superintendents monitor all school districts' budgets, ongoing financial obligations and multi-year contracts. They have specific powers for recommending actions to revise budgets. They are not, however, authorized to abrogate existing collective bargaining agreements. School districts must review their financial position for the periods ending October 31 and January 31 in order to certify their abilities to meet commitments through the rest of the school year.

Each school district is required by the State Education Code to file these two interim reports each year by not later than December 15 and March 15. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. The county office of education must then, within 30 days, evaluate the interim reports and forward their comments to the State Department of Education and the State Controller's Office. Included in the report is a certification by the president of the governing board of each school district that classifies the District according to its ability to meet its financial obligations. The certifications are grouped into three categories: positive certification, which designates that the District will be able to meet its financial obligations for the remainder of the fiscal year and the following two years; a qualified certification, which means that the District may not be able to meet its financial obligations for the remainder of the fiscal year and following two years if certain events occur; and a negative certification, which signifies that the District will not be able to meet its financial obligations for the remainder of the fiscal year or of the following year. A certification by the governing board may be overridden by the county superintendent. If either the first or second interim report is not positive, the county superintendent may require the district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the district). The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the State Superintendent of Public Instruction for review.

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The filing status of the District's interim reports for the past five years appears below.

Certifications of Interim Financial Reports
Mt. Diablo Unified School District

Fiscal Year	First Interim	Second Interim
2004-05	Positive	Positive
2005-06	Positive	Positive
2006-07	Positive	Positive
2007-08	Positive	Qualified
2008-09	Qualified	Positive
2009-10	Qualified	n/a

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2009, have been included in this Official Statement. See "APPENDIX C" herein. Audited financial statements for all prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California, 95814-5609, Tel. (916) 444-5100.

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The following table sets forth certain General Fund information for the District.

General Fund Activity for the Fiscal Years Indicated
Mt. Diablo Unified School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 Audited	2009-10 First Interim
BEGINNING BALANCE	$19,742,322	$23,848,500	$33,796,506	$33,729,884	$47,217,125
REVENUES					
Revenue Limit Sources					
State Apportionment	$83,962,297	$94,847,080	$93,681,074	$88,089,524	$72,025,329
Local Sources	94,727,437	97,913,581	101,662,510	101,319,031	93,241,412
Total Revenue Limit	$178,689,734	$192,760,661	$195,343,584	$189,408,555	$165,266,741
Federal Revenues	18,076,778	17,109,636	15,661,622	28,669,803	31,740,882
Other State Revenues	56,161,530	71,324,192	72,174,046	71,881,127	64,638,297
Other Local Revenues	13,571,905	13,614,529	11,284,684	10,126,723	10,261,285
TOTAL REVENUES	$266,499,947	$294,809,018	$294,463,936	$300,086,210	$271,907,205
EXPENDITURES					
Certificated Salaries	$130,692,909	$138,048,012	$139,432,821	$136,088,463	$126,185,763
Classified Salaries	40,962,035	44,260,173	45,670,549	45,559,089	40,581,363
Employee Benefits	45,344,736	48,253,241	50,831,040	52,315,375	54,545,465
Books and Supplies	10,486,240	15,547,678	15,443,407	10,452,524	25,071,953
Services & Other Op. Expenses	33,088,023	36,607,043	39,575,817	38,009,866	34,943,946
Capital Outlay	861,138	6,777,532	5,900,302	2,229,786	433,234
Other Outgo	875,190	1,310,925	1,179,633	3,021,460	3,434,397
Debt Service	109,218	41,258	563,137	n/a	n/a
Direct Support / Indirect Costs	n/a	n/a	n/a	(612,867)	(796,903)
TOTAL EXPENDITURES	$262,419,489	$290,845,862	$298,596,706	$287,063,697	$284,405,219
FINANCING SOURCES (USES)	$25,720	$5,984,850	$4,066,148	$464,730	($6,202,658)
NET INCREASE (DECREASE)	$4,106,178	$9,948,006	($66,622)	$13,487,241	($18,700,671)
ENDING BALANCE	$23,848,500	$33,796,506	$33,729,884	$47,217,125	$28,516,454

Overview

As a result of significant State budget shortfalls, the District's revenue limit funding for the Fiscal Year has been reduced by more than $30 million from fiscal year 2007-08 levels. The District has responded to the State imposed budgetary reductions through various efforts, including reduced budget allocations for school sites, departments and several programs. Positions for certificated, classified and management have been reduced significantly.

Part of the State reductions have been offset by increased federal revenues from federal stimulus program. These federal stimulus revenues are one-time moneys and, unless the federal government expands the stimulus program, will not be available after the Fiscal Year. As a result, the District is exploring and prioritizing other potential budget reductions for future years.

Revenues

The District categorizes its General Fund revenues into four primary sources: revenue limit sources, federal revenues, other state revenues and other local revenues.

Revenue Limit Sources. Since fiscal year 1973-74, school districts have operated under general purpose revenue limits established by the State Legislature. In general, the state revenue limit for a school district is calculated by multiplying a "base revenue limit" per student by the school district's student enrollment measured in ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all school districts of the same type within the State. The District's base revenue limit per unit of ADA was $6,109.02 in fiscal year 2008-09 (before application of a 0.92156 deficit factor), and is budgeted to be $6,370.02 (before application of a 0.81645 deficit factor).

Revenue limit sources accounted for approximately 63.1% of total General Fund revenues in fiscal year 2008-09, and are projected to be approximately 60.8% of General Fund revenues in the Fiscal Year. Funding of the District's revenue limit is accomplished by a mix of a) local taxes (composed predominantly of property taxes, and including miscellaneous taxes and community redevelopment funds, if any) and b) State apportionments of basic and equalization aid. The majority of the District's revenue limit funding comes from local sources; local sources were approximately 52.0% of revenue limit funding in fiscal year 2007-08 and 53.5% in fiscal year 2008-09, and are projected to be 56.4% in the Fiscal Year.

Federal Revenues. The federal government provides funding for several District programs. These federal revenues, most of which have historically been restricted, were 9.6% of General Fund revenues in fiscal year 2008-09, and are projected to be 11.7% of General Fund revenues in the Fiscal Year. Federal revenues include the revenues received pursuant to the American Recovery and Reinvestment Act signed into federal law on February 17, 2009.

Other State Revenues. In addition to apportionment revenues, the State provides funding for several District programs. These other State revenues, most of which are restricted, were 24.0% of General Fund revenues in fiscal year 2008-09, and are projected to be 23.8% of General Fund revenues in the Fiscal Year. Included in other State revenues are proceeds received from the State from the State Lottery.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues. Other local revenues were 3.4% of General Fund revenues in fiscal year 2008-09, and are projected to be 3.8% of General Fund revenues in the Fiscal Year.

Expenditures

The largest components of a school district's general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated salary increases or changes in staffing levels, normal "step and column" advancements on the salary scale result in increased salary expenditures. The District has budgeted no salary increases for the Fiscal Year.

Employee salaries and benefits accounted for approximately 81.5% of General Fund expenditures in fiscal year 2008-09, and are projected to be 77.8% of General Fund expenditures in the Fiscal Year.

Short Term Borrowings

The District has in the past issued short-term tax and revenue anticipation notes payable from the General Fund of the District. Proceeds from the issuance of notes by the District during previous fiscal years have been used to reduce inter-fund dependency and to provide the District with greater overall efficiency in the management of its funds. The District has never defaulted on any of its short-term borrowings.

Set forth below is the recent history of the District's tax and revenue anticipation notes issuances.

Ten-Year History of Short Term Cash-Flow Financing Program
Mt. Diablo Unified School District

Date Issued	Amount of Notes	S&P Rating
October 1999	$16,800,000	SP 1+
October 2000	$15,500,000	SP 1+
November 2002	$15,000,000	SP 1+
November 2003	$22,000,000	SP 1+
November 2004	$23,000,000	SP 1+
October 2005	$38,000,000	SP 1+
November 2006	$26,000,000	SP 1+
November 2007	$10,000,000	SP 1+
November 2008	$14,000,000	SP 1+

Capitalized and Bonded Lease Obligation

The District's has made use of various capital lease arrangements in the past under agreements which provide for title of items and equipment being leased to pass to the lessee district upon expiration of the lease period. Under each such agreement, the Board has promised to annually appropriate the amounts necessary to make all future lease payments from available revenues. All lease, capitalized lease and bonded obligations of the District as of June 30, 2009, are set forth in "APPENDIX A" attached hereto.

Outstanding Capitalized and Bonded Lease Obligations
Mt. Diablo Unified School District

Date Issued	Debt Type	Final Maturity	Amount Issued	Outstanding as of June 30, 2009	Debt Service in Fiscal Year 2009-10
September 2006	Capital Lease	September 2021	$6,015,131	$5,426,545	$563,137
September 2007	Capital Lease	September 2022	$3,900,000	$3,712,637	$363,643
April 1998	COPs	December 2025	$7,760,000	$5,670,000	$503,653

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Other Long Term Borrowings

In a general election held on November 7, 1989, voters approved, under Measure "A", a $90,000,000 Special Tax Bond (also known as Mello-Roos Bond) authorization. The following table sets forth the District's issuances under Measure "A".

Special Tax Bonds
Mt. Diablo Unified School District

Authorization	Date Issued	Final Maturity	Amount Issued	Outstanding as of June 30, 2009	Debt Service in Fiscal Year 2009-10
Election of 1989	June 2002	August 2022	$29,000,000	$22,620,000	$2,193,597
Election of 1989	June 2005	August 2024	$15,760,000	$14,245,000	$1,078,674
Election of 1989	June 2006	August 2026	$29,995,000	$26,735,000	$2,783,814

In a general obligation held on March 2, 2002, voters approved, under Measure "C", a $250,000,000 General Obligation measure. The following table sets forth the District's issuances under Measure "C", the authorization for which has been exhausted.

General Obligation Bonds
Mt. Diablo Unified School District

Authorization	Date Issued	Final Maturity	Amount Issued	Outstanding as of June 30, 2009	Debt Service in Fiscal Year 2009-10
Election of 2002	June 2002	August 2026	$69,400,000	$44,430,000	$3,746,637
Election of 2002	July 2004	July 2029	$121,000,000	$109,155,000	$8,652,025
Election of 2002	June 2006	June 2031	$59,600,000	$59,380,000	$3,378,030

In February of 2003, the Redevelopment Agency of the City of Pittsburg made an interest free loan of $6,178,936 to the District. As of June 30, 2009, $5,636,148 in principal remains outstanding.

All outstanding bonds and long-term liabilities of the District as of June 30, 2009, are set forth "APPENDIX A" attached hereto. The District has never defaulted on any of its long-term bonded indebtedness.

TAXATION AND APPROPRIATIONS

Ad Valorem Property Taxation

The District utilizes the services of the County for the assessment and collection of taxes for District purposes, except for public utility property that is assessed by the State Board of Equalization.

The State Constitution and sections of various State statutes provide exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals, charitable institutions and for severely handicapped individuals. The State Constitution exempts from *ad valorem* property taxation $7,000 of full value of owner occupied dwellings, and requires the Legislature to reimburse each local government for revenue lost as a result of the exemption.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Recent changes in the State electric utility industry and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and allocating tax revenues to local taxing agencies, including the District.

Because the District is not a "basic aid" district, any taxes lost due to a reduction in, or transfer to another jurisdiction of, utility property assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "STATE FUNDING OF PUBLIC EDUCATION—Sources of Revenue for Public Education" herein.

Alternative Method of Tax Apportionment

The County Board has approved implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") pursuant to sections 4701 through 4717 of the State's Revenue & Taxation Code. This action of the County Board came pursuant to the endorsement of the Teeter Plan by the taxing districts of the County. The Teeter Plan guarantees distribution of all ad valorem taxes levied to the taxing entities within the County, with the County retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections. The purpose of utilizing the Teeter Plan is to simplify the tax-levying and tax-apportioning process and to provide increased predictability of revenues for the taxing jurisdictions.

The Treasurer's cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. Amounts in the tax loss reserve fund above a statutorily defined threshold may be credited to the County's general fund. Amounts in the tax loss reserve fund may only be used to cover the losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property.

A county electing to utilize the Teeter Plan may elect to discontinue its use for any tax levying agency if the rate of secured tax delinquencies in any fiscal year exceeds 3% of the total of all taxes levied on the secured roll of that agency. The County Board may also order its discontinuance, or if prior to the commencement of any fiscal year, the County Board receives a petition for discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued, only those secured property taxes actually collected would be allocated to political subdivisions, including the District; however, the District would realize the benefit of interest and penalties collected from delinquent taxpayers, pursuant to law.

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Historical Assessed Valuation in the District

Shown in the following table is the assessed valuation in the District for the past 10 years.

Historical Total Secured and Unsecured Assessed Valuation
Mt. Diablo Unified School District

Fiscal Year	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Annual Change
2000 - 01	$18,060,313,724	$810,049,196	$18,870,362,920	7.64%
2001 - 02	$19,516,917,666	$899,543,508	$20,416,461,174	8.19%
2002 - 03	$20,950,443,237	$942,041,048	$21,892,484,285	7.23%
2003 - 04	$22,717,637,906	$920,522,887	$23,638,160,793	7.97%
2004 - 05	$24,440,946,159	$868,334,641	$25,309,280,800	7.07%
2005 - 06	$26,507,580,455	$942,384,927	$27,449,965,382	8.46%
2006 - 07	$29,202,871,829	$951,192,569	$30,154,064,398	9.85%
2007 - 08	$31,654,217,857	$964,357,554	$32,618,575,411	8.17%
2008 - 09	$31,742,057,815	$1,062,848,164	$32,804,905,979	0.57%
2009 - 10	$29,642,841,960	$1,051,293,746	$30,694,135,706	(6.43%)

Source: Office of the Contra Costa County Auditor-Controller.

Historical Tax Collections

The following table shows a recent history of real property tax collections and delinquencies in the District. However, as long as the County remains on the Teeter Plan, the District receives the full amount of its property tax revenues irrespective of the delinquency rate within the District.

Secured Tax Charges and Delinquencies
Mt. Diablo Unified School District

Fiscal Year	Secured Tax Charge	Amount Delinquent As of June 30	Percentage Delinquent As of June 30
2005 - 06	$10,926,049.04	$174,279.51	1.60%
2006 - 07	12,845,645.49	353,719.90	2.75
2007 - 08	13,151,902.12	526,267.47	4.00
2008 - 09	14,200,845.88	460,317.48	3.24

Note: Total secured tax levies include levies for bond debt service. Source: California Municipal Statistics Inc.

Largest Taxpayers

The 20 largest taxpayers in the District own property that comprises 10.3% of the total assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property, as shown on the 2009-10 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District, are shown below.

Major Taxpayers
Mt. Diablo Unified School District

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1	Tesoro Refining & Marketing Co.	Heavy Industrial	$1,318,969,133	4.45%
2	Bank of America	Office Building	180,278,464	0.61
3	Taubman Land Associates LLC	Regional Mall	161,840,100	0.55
4	Chevron USA Inc.	Office Building	151,259,641	0.51
5	Sierra Pacific Properties Inc.	Office Building	142,571,703	0.48
6	Transwestern Concord Corp. Center	Office Building	100,980,000	0.34
7	Seecon Financial & Construction Co.	Office Building	99,930,882	0.34
8	Rreef America REIT III Corp. B	Office Building	99,130,219	0.33
9	Park Regency Partners	Apartments	86,484,970	0.29
10	RVIP CA & WA/OR Portfolio LLC	Shopping Center	83,401,935	0.28
11	GRE Walnut Creek LLC	Office Building	73,223,350	0.25
12	San Marco Properties LLC	Undeveloped	70,469,570	0.24
13	CA-Station Landing Devel Co.	Office Building	68,588,000	0.23
14	Concord Airport Plaza Assoc.	Office Building	66,856,098	0.23
15	PMI Plaza LLC	Office Building	66,167,701	0.22
16	FW CA P H Shopping Center LLC	Shopping Center	62,406,281	0.21
17	Clayton Valley Shopping Center	Shopping Center	61,514,150	0.21
18	Lesher Communication Inc.	Newspaper	56,137,441	0.19
19	CA-Treat Towers LP	Office Building	55,255,641	0.19
20	Signature at Renaissance Square	Apartments	54,260,224	0.18
			$3,059,725,503	10.32%

(1) 2009-10 Local Secured Assessed Valuation: $29,639,009,735

Note: Local Secured Assessed Valuation does not include utility values. Source: California Municipal Statistics, Inc.

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STATE FUNDING OF PUBLIC EDUCATION

Sources of Revenue for Public Education

Sources of Revenue. The State's K-12 education system is supported primarily from State revenues, mostly sales and income taxes. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES & EXPENDITURES). As a result, changes in State revenues may affect appropriations made by the State to school districts. State revenue sources for school districts are supplemented with local property taxes, federal aid, local miscellaneous funds, and the State Lottery.

In recent years, approximately 58% of all funds for K-12 public education came from the State budget, which is required to be proposed by the Governor by January 10 and adopted by June 15 of each year (although the State often is late adopting the budget). Approximately 21% of funding for K-12 education comes from local property taxes. The State Constitution limits property taxes to one percent of the value of property; property taxes may only exceed this limit to repay voter approved debt.

Statewide, approximately 13% of school districts' revenues come from the federal government, and about 6% come from local miscellaneous sources. The latter category includes items such as food sales, money for debt repayment, interest on reserves and, in some cases, more significant sources such as developer fees and parcel taxes. Developer fees are fees that school districts can levy on new residential or commercial development within their boundaries to finance the construction or renovation of school facilities. Many school districts also seek grants or contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses. School districts that still have unused school buildings or sites can lease or sell them for miscellaneous income as well. A significant number of school districts have secured the required two-thirds approval from local voters to levy special taxes on parcels or residences and/or have won voter approval, with either a two-thirds vote or a 55% majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law.

The final revenue source for school districts is the State Lottery. Approved by voters in late 1984, the lottery generates about 1% of total school revenues. Every three months the Lottery Commission calculates 34% of lottery proceeds for all public education institutions, the minimum according to the lottery law. Every K-14 school district receives the same amount of lottery funds per pupil from the State, which may be spent for any instructional purpose, excluding capital projects.

No other source of general purpose revenue is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes for general school support, and the courts have declared that fees may not be charged for school-related activities other than for busing services.

The State Revenue Limit. The State Revenue Limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county board of education is entitled to receive from State and local sources. Each school district has its own target amount of funding from State funds and local property taxes per ADA. This target is known as revenue limit, and the funding from this calculation forms the bulk of all school districts' income. The State Legislature usually grants annual cost-of-living adjustments (COLAs) to revenue limits. The exact amount depends on whether the school district is an elementary, high school or a unified school district.

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment (based on Period 1 ADA determined in December), the second calculation for the June 25th Second Principal Apportionment (based on Period 2 ADA determined in April), and the final calculation for the end of the year Annual Apportionment (also based on Period 2 ADA). Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of the California Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called "basic aid" school districts. These school districts are permitted to keep all their property tax money (even if it exceeds their revenue limit). As guaranteed in the State Constitution, the State must apportion $120 per pupil to all school districts. However, the categorical aid (see below) that school districts receive counts toward this requirement. The District is not a basic aid school district.

Distribution of Revenue for School Districts

General Purpose. The largest part of each school district's revenue funds general operating expenses associated with providing education, including salaries, benefits, supplies, textbooks and regular maintenance. As previously mentioned, the Revenue Limit governs the amount each school district receives. Each school district also receives some State and federal money for special programs, special costs, or categories of children with particular educational needs, called "categorical aid."

Categorical Aid. This special support goes into a school district's General Fund, but its expenditure is restricted to the purpose for which it is granted. About seventy-five percent (75%) of the total money generated for education is for general purposes, and about twenty-five percent (25%) is for categorical aid. The complex allocation system is adjusted somewhat by the State Legislature almost every year, with unpredictable effects on individual school districts.

There are a number of major federal and State categorical aid programs. Some allocations come automatically to school districts, while others require an application. Some programs are based on the characteristics of the children or families in a particular school district, such as gifted and talented, non-English speaking, migrant, low income or handicapped students. Other programs are for specific activities or expenses, such as transportation, textbooks or childcare. Each year a large amount of aid is allocated directly to the State Teachers' Retirement System (STRS) fund. For the past several years, supplemental grants have been directed to equalizing school districts' income from revenue limits plus specific categoricals. Most of the federal funds flow through the State Department of Education, which retains a certain percentage for administration.

In terms of dollars and the number of children served, the largest categorical aid program is Special Education under the Individuals with Disabilities Act. According to court decisions and federal and State law, school districts are responsible for the appropriate education of each child with special needs from age 3 to 21 who lives within their boundaries. The allocations do not cover the cost of educating them. School districts are required to contribute a certain amount of general purpose funds for Special Education, and many spend much more. This is known as "encroachment."

School Facilities. Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs. Voter approved general obligation bond moneys may only be used for purchase or improvement of real property, while Mello-Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

The 2009-10 State Budget

The information in this section has been compiled from publicly available information through the California Department of Finance and the California Legislative Analyst's Office. The District, the County and the Underwriter do not assume any responsibility for the accuracy of such information as set forth herein, although they believe that the information provided by the above-listed sources is reliable.

The State Budget Package. On November 5, 2008, a special session of the State Legislature was called to deal with a budget deficit that had arisen since the 2008-09 budget was adopted, principally as a result of a shortfall in revenues. This special session extended through February 19, 2009, at which time the Legislature voted to approve a budget package (the "State Budget Package") addressing the State's multi-year $42 billion deficit, which included $15 billion in State spending reductions, $12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), $11.4 billion in borrowing and a $1 billion reserve. The State Budget Package included revisions to the 2008-09 budget and adoption of the 2009-10 budget, covering a 17-month period ending July 1, 2010, addressing spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures required voter approval at a special statewide election held on May 19, 2009. The Governor signed the State Budget Package on February 20, 2009.

Key provisions of the State Budget Package included approximately $7.4 billion in reductions in Proposition 98 funding in fiscal year 2008-09 achieved through $2.4 billion in program reductions and $5 billion in Proposition 98 funding deferrals and fund swaps (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES – Expenditures and Appropriations" for information on Proposition 98 funding). The State Budget Package provided for total Proposition 98 funding of $54.9 billion in fiscal year 2009-10. To mitigate education program reductions, the State Budget Package provided for categorical funding flexibility over 5 years, allowing the transfer of funds from 40 categorical programs to the general fund, commencing in 2008-09. In addition, categorical ending balances could be used for general purpose activities in fiscal year 2008-09 and 2009-10 with certain exclusions.

The May Proposal. On May 14, 2009, the Governor released a proposed revision to the State Budget Package (the "May Proposal"). (Typically, the May Proposal proposes changes to the budget proposed by the Governor in January; however, with the State Budget Package signed in February 2009 including a budget for fiscal year 2009-10, the May Proposal proposed changes to the previously enacted State Budget Package). The May Proposal identified a $21 billion projected budget shortfall arising since the State Budget Package was enacted. The $21 billion shortfall was due to 1) updated estimates reducing expected revenues in fiscal years 2008-09 and 2009-10 by $12.5 billion, 2) the rejection by voters of the propositions on the May 19, 2009 ballot resulting in a $5.8 billion shortfall, and 3) $3.1 billion of other changes including lower property taxes leading to increased Proposition 98 funding requirements. To address the shortfall, the Governor proposed $21 billion of solutions, including $10 billion of spending reductions, $7.5 billion of borrowing, and $3.5 billion of revenue actions. Significant spending reductions included, among other items, reducing fiscal years 2008-09 and 2009-10 Proposition 98 funding by $5 billion.

The 2009-10 State Budget Revision. On July 1, 2009, the State entered the 2009-10 fiscal year without significant revisions to the State Budget Package. In response, the Governor declared a fiscal emergency and called a special session of the State Legislature in order to address the projected 2009-10 budget deficit. Additionally, the State began to issue warrants in lieu of cash payments to certain vendors. Although the State Constitution requires the public school system receive the first distribution of moneys from all State revenues, there can be no assurance that the State's financial difficulties will not result in payment delays to K-14 education agencies.

On July 28, 2009, the Governor signed the 2009-10 budget revision bill package (the "2009-10 State Budget Revision") into law. The 2009-10 State Budget Revision incorporated $23.7 billion in budget solutions, including K-14 spending reductions of $6.5 billion, health spending reductions of $2.3 billion, higher education spending reductions of $2.0 billion, local government and employee compensation reductions of $1.8 billion each, other spending reductions of $3.6 billion, increased revenues of $3.5 billion, and additional borrowing of $2.2 billion. Fiscal year 2009-10 State general fund expenditures in the 2009-10 State Budget Revision are $84.6 billion, further reduced from the proposed May Proposal figure of $91.0 billion, with an ending reserve of approximately $500 million.

Proposition 98 sets the minimum funding levels for K-12 and community college education based on a complex set of formulas using a multitude of factors, including the prior year level of funding, State general fund revenues, per capita personal income, and school attendance growth or decline (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING REVENUES & EXPENDITURES" herein). When General Fund revenues drop, the Proposition 98 minimum guarantee often falls in tandem. This is the case in fiscal years 2008-09 and 2009-10—with the drop in estimated State general fund revenues resulting in notable drops in the minimum guarantee.

An overview of the State's Proposition 98 funding under the 2009-10 State Budget Revision appears in the following table.

Proposition 98 Funding under the 2009-10 State Budget Revision

	2007-08	--------	2008-09	--------	--------	2009-10	--------
	Actual (Millions)	Budget Package (Millions)	May Proposal (Millions)	Budget Revision (Millions)	Budget Package (Millions)	May Proposal (Millions)	Budget Revision (Millions)
K-12 Education	$50,304	$44,660	$43,250	$43,062	$48,315	$44,515	$44,637
Community Colleges	6,112	5,972	5,734	5,934	6,482	5,784	5,669
Other Agencies	121	106	106	106	107	107	112
Total	$56,538	$50,738	$49,091	$49,102	$54,904	$50,407	$50,418
General Fund	$41,978	$35,036	$33,691	$34,052	$39,461	$35,971	$35,032
Local Property Taxes	$14,560	$15,703	$15,400	$15,050	$15,442	$15,442	$15,386

Source: The California Legislative Analyst's Office

Provisions impacting education in the 2009-10 State Budget Revision include:

- Reductions to Proposition 98 spending by $6.1 billion over the two-year period relative to the State Budget Package, including $5.3 billion in K-12 education and $850 million in community college reductions.
- Suspension of a statutorily required $450 million State general fund payment for the Quality Education Investment Act ("QEIA") program. Instead, the 2009-10 State Budget Revision provides ongoing Proposition 98 funding for QEIA in 2009-10

and the program is extended an additional year, to 2014-15. School districts that receive QEIA funding will receive a comparable reduction to their revenue limits payments, but are eligible to apply for additional federal Title I funds in 2009-10.

- Reductions to 2008-09 Proposition 98 spending by reverting $1.6 billion in K-12 categorical funds that had not been distributed to school districts at the close of the 2008-09 fiscal year. These funds are subsequently provided to school districts in 2009-10.
- Reductions to K-12 revenue limits by $4 billion to achieve 2009-10 savings. The reductions include a $1.6 billion reduction to offset the restoration of categorical funds reverted in 2008-09.
- Reductions in penalties associated with K-3 class size reduction, allowing school districts to retain up to 70 percent of funding if pupil-to-teacher ratios increase to more than 25 to 1.
- Authorization of a reduction in the school year from 180 days to 175 days.
- A four-year suspension of the requirement for school districts to purchase instructional materials within 24 months of adoption of those materials by the State Board of Education.
- Additional deferrals of $1.7 billion in K-12 revenue limit payments and $115 million in community college apportionment payments from fiscal year 2009-10 into fiscal year 2010-11. In addition, the payment schedule for K-12 apportionment funding and categorical funding was revised to distribute five percent of total payments in each of July and August and nine percent in each of the remaining months, allowing for a more even distribution of funding to schools and more predictable outflows from the state General Fund.

With the additional deferrals incorporated into the 2009-10 State Budget Revision, total deferrals of K-12 revenue limit payments in fiscal year 2009-10 are approximately $8.6 billion. These deferrals include:

- $1.0 billion from July 2009 to December 2009.
- $1.5 billion from August 2009 to October 2009.
- $1.0 billion from November 2009 to January 2010.
- $2.0 billion from February 2010 to July 2010.
- $679 million from April 2010 to August 2010.
- $1.0 billion from May 2010 to August 2010.
- $1.4 billion from June 2010 to July 2010.

Somewhat offsetting the reductions in the State budget is the impact of the American Recovery and Reinvestment Act signed into federal law on February 17, 2009. A report issued by the California Legislative Analyst's Office entitled "Federal Economic Stimulus Package: Fiscal Effect on California" estimates that the State will receive over $31 billion in aid and billions more in competitive grants. The California Legislative Analyst's Office estimates that about $29.8 billion of these funds will be available in 2008-09 and 2009-10 to relieve the State's budgetary problems. Of this amount, education-related programs will receive nearly $8 billion.

The full text of the 2009-10 State Budget Revision and other information concerning the 2009-10 State budget may be found at the State Department of Finance website, www.dof.ca.gov.

The Proposed 2010-11 State Budget

The information in this section has been compiled from publicly available information through the California Department of Finance and the California Legislative Analyst's Office. The District, the County and the Underwriter do not assume any responsibility for the accuracy of such information as set forth herein, although they believe that the information provided by the above-listed sources is reliable.

Overview. On January 8, 2010, the Governor released his proposed 2010-11 State budget (the "2010-11 Proposed State Budget"). With billions of dollars of temporary budget solutions implemented in 2009-10 set to expire and the State economy recovering slowly, the Governor projected a General Fund deficit of $18.9 billion at the end of fiscal year 2010-11 without corrective action. The 2010-11 Proposed State Budget includes $19.9 billion in budget solutions to create a $1 billion reserve. Approximately 40% of the Governor's budget solutions relies on funding or flexibility to be provided by actions of the federal government, with an additional 40% resulting from reductions in State spending and the remaining 20% consisting of various fund shifts, some of which require voter approval. In order to address the projected $18.9 billion deficit, the Governor declared a state of fiscal emergency on January 8, 2010, calling the State Legislature into special session to begin taking action on the $19.9 billion in proposed solutions.

The State General Fund. State General Fund expenditures are proposed to be $82.9 billion in fiscal year 2010-11, a decrease of 3.7% from a revised fiscal year 2009-10 State General Fund expenditures estimate of $86.1 billion. State General Fund revenues are proposed to be $89.3 billion in fiscal year 2010-11, an increase of 1.4% from estimated fiscal year 2009-10 State General

Fund revenues of $82.2 billion. The fiscal year 2010-11 year-end reserve is proposed to be $1.0 billion, or 1.2% of the General Fund revenues.

The following table identifies historical and proposed State General Fund revenues and expenditures.

State General Fund under the 2010-11 Proposed State Budget

	2008-09 Final (Millions)	2009-10 Proposed (Millions)	2010-11 Proposed (Millions)
Prior-year Fund Balance	$2.314	-$5,855	-$3,863
Revenues and Transfers	82,772	88,084	89,322
Total Resources Available	$85,086	$82,229	$85,459
Expenditures	90,940	86,092	92,901
Ending Fund Balances	-$5,855	-$3,863	$2,558
Encumbrances	1,537	1,537	1,537
Reserve	-$7,391	-$5,400	$1,021

Source: The California Legislative Analyst's Office

The $19.9 billion of budget solutions incorporated in the 2010-11 Proposed State Budget include:

- Federal funding requests, including increased federal funding for Medi-Cal, Medicare services, drug costs, special education, undocumented felons etc. ($6.9 billion)
- Federal funding flexibility ($1.0 billion)
- Proposition 98 expenditure savings ($2.4 billion over a two-year period)
- Employee compensation savings ($1.6 billion)
- Various Medi-Cal cost reductions ($1.1 billion)
- Inmate medical care cost reductions ($811 million)
- Other non-federal expenditure savings proposals ($1.6 billion)
- Transportation funding shift ($1 billion)
- Proposition 10 ballot proposal ($550 million)
- Redirecting county health and social services savings ($506 million)
- Proposition 63 ballot proposal ($452 million)
- Various other proposals ($2 billion)

If the $6.9 billion of federal funding requests is not on its way by July 15, 2010, the 2010-11 Proposed State Budget identifies $3.8 billion of additional expenditure reductions along with $2.3 billion of revenue increases and $847 million of other solutions to be implemented instead.

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Funding for Education. An overview of the State's Proposition 98 funding under the 2010-11 Proposed State Budget appears in the following table.

Proposition 98 Funding under the 2010-11 Proposed State Budget

	---- FY 2008-09 ----		---- FY 2009-10 ----		FY 2010-11
	Budget Revision (Millions)	Final (Millions)	Budget Revision (Millions)	Proposed Budget (Millions)	Proposed Budget (Millions)
K-12 Education	$43,062	$42,986	$44,637	$44,082	$43,974
Community Colleges	5,934	5,929	5,669	5,675	5,895
Other Agencies	106	105	112	94	85
Total	$49,102	$49,019	$50,418	$49,851	$49,954
General Fund	$34,052	$34,282	$35,032	$34,660	$36,090
Local Property Taxes	$15,050	$14,737	$15,386	$15,191	$13,864

Source: The California Legislative Analyst's Office

Total Proposition 98 funding is expected to be $49.8 billion in fiscal year 2009-10, approximately $568 million lower than the $50.4 billion identified in the Budget Revision. The 2010-11 Proposed State Budget proposed Proposition 98 funding virtually unchanged in fiscal year 2010-11 from revised 2009-10 levels. However, the State General Fund's share of Proposition 98 funding increases by 4.1% from $34.7 billion to $36.1 billion due to a decrease in local property tax revenues associated with the continued slump in the housing market and the removal of the one-time $850 million contribution from redevelopment agencies in fiscal year 2009-10.

As part of the Budget Revision, the Proposition 98 funding level for fiscal year 2008-09 was certified at $49.1 billion, and a future funding obligation of $11.2 billion was established even if it was determined that no maintenance factor was created in 2008-09. Repayment of this "in lieu" maintenance factor was to begin in fiscal year 2010-11. Revenues in fiscal year 2008-09 were significantly lower than was estimated at the time the Proposition 98 funding level was certified, resulting in the Proposition 98 minimum funding level shifting to "Test 1" which does not create a maintenance factor, dropping the Proposition 98 minimum guarantee to $46.8 billion.

Absent corrective action, the $2.3 billion over-appropriation of the Proposition 98 guarantee in fiscal year 2008-09 and required repayments of the "in-lieu" maintenance factor would substantially increase the Proposition 98 guarantee in fiscal years 2009-10 and 2010-11. The 2010-11 Proposed State Budget presented two solutions. First, the budget reflects an $82.9 million reduction to the guarantee that brings the level of appropriations down to the actual level of expenditures in fiscal year 2008-09, reducing the over-appropriation to $2.2 billion. The Governor proposed to use a portion of the $2.2 billion over-appropriation toward satisfying the outstanding $1.3 billion maintenance factor. Second, the Governor proposed to delay the "in-lieu" maintenance factor payments scheduled to begin in fiscal year 2010-11 until 2012-13.

Additionally, the Governor proposed to replace a State tax on gasoline, which provided approximately $1.6 billion in revenue that counted towards the calculation of the Proposition 98 minimum guarantee, with an excise tax on gasoline which does not count toward the calculation. As a result, the Proposition 98 minimum guarantee included in the 2010-11 Proposed State Budget is lower in fiscal year 2010-11 that it would have been otherwise.

Even with total Proposition 98 funding proposed to be relatively level between fiscal year 2009-10 and 2010-11, a heavy reliance on one-time budget solutions for fiscal year 2009-10 leads to more than $2 billion in Proposition 98 funding reductions in fiscal year 2010-11. The major Proposition 98 spending proposals include:

Midyear 2009-10 Proposals

- Recognize K-3 class size reduction changes ($340 million savings)
- Make various other baseline adjustments ($228 million savings)

2010-11 Proposals

- Backfill prior-year one-time solutions ($1.9 billion increase in expenditures)
- Make various other adjustments ($238 million increase in expenditures)

- Reduce K-12 revenue limits through reduction in spending on school district administration, consolidating County office of education functions, and removing restrictions on contracting out ($1.5 billion savings)
- Make K-14 cost of living adjustment of -0.38% ($210 million savings)
- Recognize additional K-3 class size reduction savings ($210 million savings)
- Reduce CalWORKs Stage 3 child care funding ($123 million savings)
- Reduce child care reimbursement rates ($77 million savings)
- Fund community college apportionment growth of 2.21% ($126 million increase in expenditures)

Also included in the 2010-11 Proposed State Budget are several new flexibility options, including eliminating seniority rules that apply to layoffs, eliminating rules regarding priority for receiving substitute teacher assignments, and extending the layoff notification window to 60 days after the State budget is enacted. Schools will continue to be provided flexibility to reduce instruction by five days through 2012-13 without losing incentive funding.

Legislative Analyst's Office Comments. The California Legislative Analyst's Office commented that the revenues and expenditure assumptions in the 2010-11 Proposed State Budget are somewhat optimistic. According to the California Legislative Analyst's Office, the size of the projected deficit at the end of 2010-11 without corrective action is $20.7 billion, approximately $1.8 billion more than the $18.9 billion figure projected by the Governor. The California Legislative Analyst's Office further commented that, while the plan to seek federal funding to address a portion of the projected deficit is prudent, it is extremely unlikely that the federal government will provide the full $8 billion in relief assumed in the 2010-11 Proposed State Budget. As a result, it is likely that the State will need to implement a portion of the Governor's trigger cuts, which are "painful and in some cases draconian," or take other alternative measures.

The full text of the 2010-11 Proposed State Budget may be found at the California Department of Finance website, www.dof.ca.gov, and the Legislative Analyst's Office overview of the 2010-11 Proposed State Budget may be found at www.lao.ca.gov.

Future Budgets

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

For more information on the State Budget, please refer to the State Department of Finance's website at www.dof.ca.gov and to the Legislative Analyst's Office's website at www.lao.ca.gov.

CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES

Limitations on Revenues

Article XIIIA of the State Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on: (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which was approved by voters in November 1979 and subsequently amended by Proposition 111 in June 1990 and by Proposition 98 in November 1998,

The Gann Limit effectively limits the amount of such revenues that government entities are permitted to spend. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State, and each local government entity, has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

Article XVI of the California Constitution. Article XVI as amended by Proposition 111 and Proposition 98, changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of General Fund revenues. K-14 schools are guaranteed the greater of (a) the percentage of General Fund revenues appropriated for school districts in fiscal year 1986-87 ("Test 1"); (b) the amount of State and local proceeds of taxes appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year in which the percentage growth in State per capita personal income is greater than the percentage growth on per capita General Fund revenues plus one-half of one percent ("Test 3"). Under Test 3, schools would receive the amount of State and local proceeds of taxes appropriated to K-14 schools in the prior year adjusted for changes in enrollment and per capita General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth.

The State Legislature by two-thirds vote of both houses, with the Governor's concurrence, may suspend the K-14 schools' minimum funding formula for a one-year period.

Any State tax revenues in excess of the Article XIIIB limit, as previously described, up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the appropriations limits for K-14 districts and the K-14 schools' appropriations limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to schools is four percent of the minimum State spending for education mandated by Article XIIIB, as amended, as described above. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditure per student of the ten states with the highest annual expenditures per student for elementary and high schools, and that average class size equals or is less than the average class size of the ten states with the lowest class size for elementary and high schools.

Proposition 1A. On November 2, 2004, California voters approved Proposition 1A amending the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not reduce any local sales tax rates or alter the method of allocation, shift property taxes from local governments to schools or community colleges, make changes in how property taxes revenues are shared among local governments without two-thirds approval of both house of the State Legislature, and decrease vehicle license fees without providing local governments with equal replacement funding.

Under Proposition 1A, beginning in fiscal year 2008-09, the State may divert no more than eight percent of local property tax revenues for State purpose (including but not limited to funding K-12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency, (ii) two-thirds approval of both houses of the State Legislature, (iii) the amount diverted is required to be repaid within three years, and (iv) certain other conditions are met.

Future Initiatives. Articles XIIIA, XIIIB, XIIIC, and XIIID, and Propositions 98, 1A and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

COUNTY ECONOMIC PROFILE

General Information

The County is one of 58 counties in the State, and is part of the San Francisco-Oakland-Fremont metropolitan statistical area, covering an area of approximately 802 square miles. The County is located in the East Bay, approximately 74 miles southwest of Sacramento. The western and northern area shorelines are highly industrialized, while the interior sections are residential, commercial and light industrial. According to the Bureau of Economic Analysis, in 2007, the County had per capita personal income of $55,580, placing it 5th in the State. This figure was 133% of the state average and 144% of the national average. Based on data compiled by DataQuick, the median house value of a single-family home in the County was approximately $290,000 in November 2009, up from $265,000 in November 2008, an increase of 9.4%.

Population

County population has grown an average of approximately 1.1% annually since 2005. The following displays population data for the previous five years for the County and select cities within the County.

Historical Population Estimates
Contra Costa County and Selected Cities

	2005	2006	2007	2008	2009
Antioch	100,309	99,376	99,357	99,994	100,957
Concord	124,578	123,380	122,923	123,700	124,599
Pittsburg	62,172	62,192	62,696	63,352	63,771
Richmond	102,309	102,188	103,327	103,899	104,513
Walnut Creek	66,047	65,293	65,070	65,266	65,860
County Total	1,016,407	1,025,509	1,035,322	1,048,242	1,060,435

Source: California Department of Finance.

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County Unemployment

The following table contains a historical summary of the County's unemployment data, seasonally unadjusted.

Historical Unemployment Data
Contra Costa County

	2004 Annual	2005 Annual	2006 Annual	2007 Annual	2008 Annual	2009 December
Labor Force	509,700	512,700	515,900	519,700	529,200	527,100
Number of Employed	482,000	487,700	493,800	495,400	496,400	469,100
Number of Unemployed	27,800	25,000	22,100	24,300	32,700	58,000
Unemployment Rate	5.4%	4.9%	4.3%	4.7%	6.2%	11.0%

Source: California Employment Development Department.

Major Employers

The following table provides a listing of major employers in the County.

Major Employers
Contra Costa County

Employer Name	Location	Industry
Bank of the West	Walnut Creek	Banks
Bio-Rad Laboratories Inc	Hercules	Laboratory Analytical Instruments (Manufacturers)
C & H Sugar	Crockett	Sugar Refiners (Manufacturers)
Chevron Corp	San Ramon	Oil Refiners (Manufacturers)
Chevron Global Downstream LLC	San Ramon	Petroleum Products (Wholesale)
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Medical Center	Martinez	Hospitals
Department of Veteran Affairs	Martinez	Physicians & Surgeons
Doctor's Medical Center	San Pablo	Hospitals
John Muir Medical Center	Walnut Creek	Hospitals
John Muir Medical Center	Concord	Hospitals
John Muir Physical Rehab.	Concord	Rehabilitation Services
Kaiser Permanente Medical Center	Martinez	Clinics
Kaiser Permanente Medical Center	Walnut Creek	Hospitals
MuirLab	Walnut Creek	Laboratories - Medical
Richmond City Offices	Richmond	Government Offices – City, Village & Township
San Ramon Regional Medical Center	San Ramon	Hospitals
Shell Martinez Refinery	Martinez	Oil Refiners (Manufacturers)
Shell Oil Products Company	Martinez	Service Stations-Gasoline & Oil
St. Mary's College of California	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Ctr.	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Manufacturers)
USS-POSCO Industries	Pittsburg	Steel Mills (Manufacturers)
VA Outpatient Clinic	Martinez	Physicians & Surgeons

Source: California Employment Development Department, America's Labor Market Information System Employer Database, 2010 1st Edition

Taxable Sales

The following table summarizes historical taxable retail sales in the County.

Taxable Retail Sales
Contra Costa County

	2004	2005	2006	2007	2008
Sales Tax Permits	23,571	23,692	23,249	23,181	23,149
Taxable Sales (000's)	12,990,538	13,480,075	13,867,661	14,086,295	13,307,681

Source: California State Board of Equalization

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Notes to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Notes to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Notes (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing "adjusted current earnings" as described below. The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Notes.

In rendering its opinions, Bond Counsel will rely upon certifications of the District with respect to certain material facts within its knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Notes should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Notes is the price at which a substantial amount of such maturity of the Notes is first sold to the public. The Issue Price of a maturity of the Notes may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Notes who dispose of Notes prior to the stated maturity (whether by sale, redemption or otherwise), purchase Notes in the initial public offering, but at a price different from the Issue Price, or purchase Notes subsequent to the initial public offering, should consult their own tax advisors.

If a Note is purchased at any time for a price that is less than the Note's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Note with market discount subject to the market discount rules of the

Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Note is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Note for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Note. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Notes.

An investor may purchase a Note at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Note in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Note. Investors who purchase a Note at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Note's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Note.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Notes. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Noteholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Notes, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Note owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Note owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxes.

Ownership of the Notes may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Notes. Prospective purchasers of the Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Notes is set forth in "APPENDIX C — FORM OF OPINION OF BOND COUNSEL."

LEGAL MATTERS

Legal Opinion

The validity of the Notes and certain other legal matters are subject in each case to the approving opinion of Quint & Thimmig LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in "APPENDIX C — FORM OF OPINION OF BOND COUNSEL" to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Absence of Litigation

No litigation is pending with service of process having been accomplished, or to the knowledge of the District, threatened against the District concerning the validity of the Note, and a Certificate of the District to that effect will be furnished to the initial purchaser or purchasers at the time of the original delivery of the Notes. The District is not aware of any litigation pending or threatened against the District questioning its political existence, contesting its ability to receive or accrue for the General Fund taxes, income, revenues, cash receipts and other moneys, or contesting its ability to issue and retire the Notes.

Legality for Investment

Under provisions of the State Financial Code, the Notes are a legal investment for commercial banks in the State to the extent that such Notes, in the informed opinion of such bank, are prudent for the investment of funds of its depositors, and the Notes are eligible to secure deposits of public moneys in the State under provisions of the State Government Code.

RATING

Standard & Poor's Rating Services (A Division of the McGraw-Hill Companies, Inc.) has assigned the Notes the rating affixed to and made a part of the cover page hereof. The District furnished Standard & Poor's certain information and materials concerning the Notes and the District. Generally, Standard & Poor's bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that either such rating will continue for any given period of time or that it may not be suspended, lowered or withdrawn entirely by Standard & Poor's if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse material effect on the secondary market price of the Notes. Any explanation of the significance of the rating may be obtained only from Standard & Poor's, Public Finance Department, 55 Water Street, 38th Floor, New York, New York 10041, telephone (212) 438-2400.

FINANCIAL ADVISOR

Government Financial Strategies inc., has been employed by the District to perform financial advisory services in relation to the sale and delivery of the Notes. Government Financial Strategies inc., in its capacity as financial advisor, has read and participated in drafting certain portions of this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Notes. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Notes.

INDEPENDENT AUDITORS

The financial statements of the District as of June 30, 2009, and for the fiscal year then ending, have been audited by Nigro, Nigro & White PC, San Diego, California, and are set forth in "APPENDIX A" attached hereto. Complete copies of all past and current financial statements may be obtained from the District. See "DISTRICT FINANCIAL INFORMATION" herein.

UNDERWRITING AND INITIAL OFFERING PRICE

The Notes were sold to Stone & Youngberg LLC, (the "Underwriter"), pursuant to a note purchase agreement by and among the District, the County, and the Underwriter, for $12,093,000.00, equal to the principal amount of the Notes, plus an original issue premium of $98,760.00, less an underwriter's discount of $5,760.00, at a true interest cost (TIC) to the District of 0.5501%.

The Underwriter has certified to the District and to Bond Counsel the initial price at which the Notes have been reoffered to the general public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers). The reoffering price or corresponding yield to maturity is as set forth on the cover page hereof. The initial offering price stated on the cover page to this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the owners of the Notes to give notice of the occurrence of certain enumerated events, if material. See "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. Notices of material events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system and with the State information repository, if any. This covenant of the District has been made to assist the Underwriter of the Notes in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with regard to said Rule to provide annual reports or notices of material events.

ADDITIONAL INFORMATION

Additional information concerning the District, the Notes or any other matters concerning the sale and delivery of the Notes may be obtained from the District by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100, facsimile telephone (916) 444-5109.

All of the preceding summaries of the Resolution, other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to documents on file with the District for further information in connection with the District and the Notes. Further, this Official Statement does not constitute a contract with the purchasers of either Note, and any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the District has been duly authorized by the District Board, and this Official Statement may be signed in counterpart.

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: /s/ Bryan Richards______________________
Director, Fiscal Services

APPENDIX A

MT. DIABLO UNIFIED SCHOOL DISTRICT AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009

MOUNT DIABLO
UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2009

NIGRO
NIGRO
&WHITE
PC

A Professional
Accountancy Corporation

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2009
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- American Institute of CPAs
- California Society of CPAs
- California Association of School Business Officials
- Community Associations Institute

WEBSITE
www.nnwcpa.com

Licensed by the California Board of Accountancy

Board of Trustees
Mount Diablo Unified School District
Concord, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mount Diablo Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2009 on our consideration of the Mount Diablo Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Nigro Nigro & White, PC

San Diego, California
November 14, 2009

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

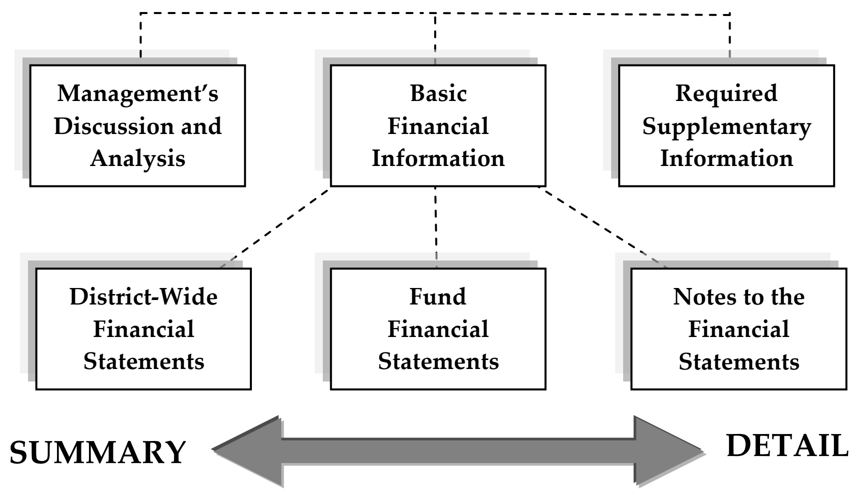

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

District-wide Statements

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

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

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

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

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

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

* *As restated*

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $120.0 million, which is more than last year's ending fund balance of $111.1 million, as originally stated.

General Fund Budgetary Highlights

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

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

	Governmental Activities		Total Percentage Change
	2008	**2009**	**2008-09**
Land	$ 14,436,462	$ 14,436,462	0%
Site Improvements	3,150,146	19,917,304	532%
Buildings	439,137,469	501,265,608	14%
Equipment and furniture	14,810,267	15,323,361	3%
Construction in progress	60,148,155	4,184,964	-93%
Total	$ 531,682,499	$555,127,699	4%

Long-Term Debt

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

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

	Governmental Activities		Total Percentage Change
	2008	**2009**	**2008-09**
General obligation bonds	$ 218,631,015	$212,965,000	-71%
Mello-Roos	66,979,911	63,600,000	-86%
Capitalized lease obligations	9,627,425	9,139,182	-5%
Certificated of participation	5,922,762	5,670,000	-4%
Construction Loan	5,681,925	5,636,148	-1%
Compensated Absences	4,203,269	3,558,522	-15%
Other post-employment benefits	4,248,777	8,622,710	103%
Other general long-term debt	3,853,688	3,670,734	-5%
Total	$ 319,148,772	$312,862,296	-2%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

K-12 Education Budget Agreement:

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Funding (ARRA)

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

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

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

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Funding (ARRA) (continued)

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

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

Other Factors

Enrollment

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Financial Section

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total net change in fund balances - governmental funds			$ 9,235,034
Amounts reported for governmental *activities* in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay	$ 23,445,200	
	Depreciation expense	(16,100,668)	7,344,532
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			5,979,020
In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. The increase in the net OPEB asset at the end of the period was:			(4,373,933)
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:			(168,481)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(2,632,070)
In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.)			644,747
Amortization of debt issue premium or discount: In govermental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:			182,954
Change in net assets of governmental activities			$ 16,211,803

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

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

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

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

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

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

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

C. Basis of Presentation

Government-wide Financial Statements:

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

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

Fund Financial Statements:

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Deferred revenue:

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

Expenses/expenditures:

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

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

E. Fund Accounting

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds:

- The ***General Fund*** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The ***County School Facilities Fund*** is used to account for state apportionments provided for modernization of school facilities under SB50.
- The ***Debt Service Fund for Blended Component Units*** is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA

Non-major Governmental Funds:

- ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue funds:

  1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
  2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
  3. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

- ***Capital Projects Funds*** are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains three non-major capital project funds:

  1. The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.
  2. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
  3. The Capital Project Fund for Blended Component Units Fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Non-major Governmental Funds: (continued)

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

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

Fiduciary Funds:

- ***Agency Funds*** are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.
- ***Foundation Private-Purpose Trust Fund*** is used to account separately for gifts or bequests per Education Code Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the LEA's own programs.

F. Budgets and Budgetary Accounting

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

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

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

NOTE 1– SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

Land site improvements and buildings purchased or acquired with an original cost of $25,000 or more, and equipment purchased or acquired with an original cost of $10,000 or more, and recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

4. Deferred Revenue

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

5. Compensated Absences

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations

   In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

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

7. Fund Balance Reserves and Designations

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

8. Net Assets

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

9. Restricted Net Assets.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

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

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

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

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

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

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

J. Use of Estimates

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

L. New GASB Pronouncements

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

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

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

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

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

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

Policies and Practices

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

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

Policies and Practices (continued)

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

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

General Authorizations

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Contra Costa County Investment Pool with a fair value of approximately $42,671,944 and an amortized book value of $42,552,518. The average weighted maturity for this pool is 118 days. In addition, the District maintains cash with fiscal agent through Wells Fargo money market mutual funds with an amortized book value of $512,447. Investments consist of amounts on deposit with the State's Local Agency Investment Fund with an amortized book value of $39,994,062 and a fair market value of approximately $40,048,622, which approximates cost.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Contra Costa County Investment Pool is rated AAAf/S1+ by Standard & Poor's.

Custodial Credit Risk – Deposits

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

Concentration of Credit Risk

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

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

NOTE 4 – INTERFUND TRANSACTIONS

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

A. Due From/Due To Other Funds

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

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

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

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B .Interfund Transfers

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

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

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

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

NOTE 5 – FUND BALANCES

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

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

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

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

NOTE 7 – CURRENT LOAN

Tax and Revenue Anticipation Notes

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

NOTE 8 – GENERAL LONG-TERM DEBT

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

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

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

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. Mello-Roos Measure "A" Bonds

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

On June 20, 2002, the District issued Series 2002 Measure "A" Bonds totaling $29,000,000. A portion of the bond proceeds are being invested to be used to retire the series 1992 Measure "A" Bonds during the year ended June 30, 2003. Repayment of the 2002 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 1.75% to 5.00% and are scheduled to mature through 2022. The principal balance as of June 30, 2009 was $22,620,000.

On June 30, 2005, the District issued Series 2005 Measure "A" Bonds totaling $15,760,000. A portion of the bond proceeds are being invested to be used to retire the series 1995 Measure "A" Bonds during the year ended June 30, 2007. Repayment of the 2005 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.00% to 4.20% and are scheduled to mature through 2025. The principal balance as of June 30, 2009 was $14,245,000.

On June 14, 2006, the District issued Series 2006 Special Tax Refunding Bonds totaling $29,995,000. A portion of the bond proceeds are being invested to be used to retire the series 1996 Measure "A" Bonds during the year ended June 30, 2007. Repayment of the 2006 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.625% to 4.500% and are scheduled to mature through 2027. The principal balance as of June 30, 2009 was $26,735,000.

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. Mello-Roos Measure "A" Bonds (continued)

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

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

B. General Obligation Measure "C" Bonds

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

On June 20, 2002, the District issued Series 2002 Measure "C" Bonds totaling $69,400,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 3.25% to 5.00% and are scheduled to mature through 2026. The principal balance outstanding as of June 30, 2009 is $44,430,000.

On June 10, 2004, the District issued Series 2005 Measure "C" Bonds totaling $121,000,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 3.00% to 5.625% and are scheduled to mature through 2030. The principal balance outstanding as of June 30, 2009 is $109,155,000.

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

B. General Obligation Measure "C" Bonds

On May 11, 2006, the District issued Series 2006 Measure "C" Bonds totaling $59,600,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2031. The principal balance as of June 30, 2009 is $59,380,000.

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

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

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

C. Certificates of Participation

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

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

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

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 1st and January 1st until June 1, 2040 or until the loan is paid off, whichever occurs first. The balance at June 30, 2009 is $5,636,148.

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

E. Capitalized Lease Obligations

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

Future yearly payments on capitalized lease obligation are as follows:

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

F. Other Leases

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

NOTE 9 – JOINT VENTURES

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

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

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

The relationship between the Mount Diablo Unified School District and the JPAs are such that none of the three JPAs is a component unit of the District for financial reporting purposes. Current financial information for CCCSIG, SELF, and SSICCC can be obtained by contacting each JPA's management. The most currently available condensed financial information for the JPAs is shown below:

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

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

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

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

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – EMPLOYEE RETIREMENT PLANS

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

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

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

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

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

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

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

On-Behalf Payments

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

NOTE 13 – SELF-INSURANCE

The District is self-insured for property and liability claims up to $100,000 per property loss and $100,000 per liability claim. Liability claims in excess of $100,000 and up to $900,000 are covered by a commercial insurance policy. The District liability claims in excess of $1,000,000 are covered by SELF (See Note 9). Property claims in excess of $100,000 are covered by a commercial insurance policy up to $149,000,000. All activity for the District's Self-Insurance Account is included in the General Fund.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	807
Active plan members	3,306
Total	4,113

** As of May 1, 2008 actuarial valuation*

Number of participating employers	1

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

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2008-09, the District contributed $3,882,275.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

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

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

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

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	5/1/2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	28
Actuarial Assumptions:	
Discount rate	5.0%
Inflation rate	3.0%
Long-term Healthcare Cost Trend Rate	4.0%

NOTE 15 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

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

General Fund:		
	Classified salaries	$ 1,365,032
	Other outgo	107,668

NOTE 16 – RESTATEMENT

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

NOTE 17 – SUBSEQUENT EVENTS

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

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

Required Supplementary Information

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

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

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

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

Supplementary Information Section

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GOVERNING BOARD

Member	Office	Term Expires
Gary Eberhart	President	December 2012
Paul Strange	Vice-President	December 2010
Richard Allen	Member	December 2010
Linda Mayo	Member	December 2010
Sherry Whitmarsh	Member	December 2012

DISTRICT ADMINISTRATORS

Richard Nicoll, Ph.D.
Interim Superintendent

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

Pete Pedersen
Assistant Superintendent- Administrative Services

Rose Lock
Assistant Superintendent-Elementary Services

Gail Isserman
Assistant Superintendent-Personnel Services

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

Gregory J. Rolen, Esq.
General Counsel

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

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

Supplemental Instruction Hours	Hours of Attendance
Elementary	429,617
High School	224,347

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

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

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

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

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

** Excludes Adult Education ADA.

*** Revised Final Budget September 2009.

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

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

Charter School	Inclusion in Financial Statements
Eagle Peak Montessori Charter School	Not included

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

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

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201.

Schedule of Financial Trends and Analysis
This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

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

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

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

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*

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

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Diablo Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2009-4.

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

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

Nigro Nigro & White, PC

San Diego, California
November 14, 2009

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

Compliance

We have audited the compliance of Mount Diablo Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. Mount Diablo Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mount Diablo Unified School District's management. Our responsibility is to express an opinion on Mount Diablo Unified School District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

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

Nigro Nigro & White, PC

San Diego, California
November 14, 2009

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AUDITORS' REPORT ON STATE COMPLIANCE

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

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

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

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

[1] This program is not required to be audited per flexibility provisionsin SBx3 4.

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

[3] For procedures performed for the Charter School: Eagle Peak Montessori, please see the separate audit report filed by the Charter School.

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

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

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

Vicenti, Lloyd & Stutzman, LLP

San Diego, California
November 14, 2009

Findings and Questioned Costs Section

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 672,580
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for state programs:	Qualified

Section II – Financial Statement Findings

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

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

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

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

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

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

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

Section II – Financial Statement Findings (continued)

Finding #2009-2: Internal Audit and Audit Committee (30000)
The internal audit function in the District does not appear to have been effectively organized in the past and is being eliminated as of June 30, 2009. However, in a large district these functions are an important part of the internal control structure, if properly organized and staffed appropriately. The internal auditor should report to a board approved committee and/or the Superintendent thus providing independence from the business functions. Areas of internal audit focus would typically include: compliance monitoring, audits of high fraud risks, special financial audits and performance audits.

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

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

Finding #2009-3: Cash Clearing Accounts (30000)
Criteria: Internal controls and safeguarding of assets require proper accountability for District cash accounts.

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

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

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

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

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

Section III – Federal Award Findings and Questioned Costs

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

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

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

Section IV – State Award Findings and Questioned Costs

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

Finding #2009-4: Short-Term Independent Study (40000)
Criteria: Section 51747 of the Education Code requires Independent Study contracts to be supported by proper documentation in conformity with State law.

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

Cause: The agreement lacks a date line.

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

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

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

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

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

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

Finding #2009-5: School Accountability Report Card (72000)
State Program: Compliance with Williams Act requirements.

Criteria: School facilities conditions assessments as indicated in a school's annual School Accountability Report Card should match the information indicated in facility conditions evaluation instruments developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002. Auditors are required to verify compliance in Section 19837.1 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies.*

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

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

Fiscal Impact: None.

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

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

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

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

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2008-2: Associated Student Body	**Criteria:** Education Code Section 48930 requires student body organizations to follow the regulations set by the Governing Board of the school district.. **Condition:** • At Bridge Program, receipts were not issued when funds were collected by the activity organizer or teacher. Additionally, there was no schedule provided to indicate units sold and price per item to support cash submitted for deposit. • At Westwood Elementary School, no receipt was issued for donations received. There was no documentation to support that cash receipts were counted in dual custody. Lastly, there were not proper authorization forms to document approval of expenditures. • At Pleasant Hill Middle School, receipts were not issued when funds were collected by the activity organizer or teacher. Cash was not counted in dual custody when the deposit was submitted. • At Ygnacio Valley High School, receipts were not issued upon initial sale of items at the student store. There was no schedule to indicate units sold and price per item to support cash submitted for deposit. Lastly, profit and loss statements were not prepared for the student store. • At Sequoia Middle School, no schedule was provided to indicate units sold and price per item to support cash submitted for deposit. There was no proper authorization form used to document the approval of fundraising activities.	30000	• A receipt should be issued when money is collected. • Proper supporting documentation that indicates number of items sold and price per item should accompany funds submitted for deposit. • Receipt books or other supporting documentation should be used to record initial receipt of donations. • The cash count form should indicate cash was counted in dual custody when submitted for deposit. • All activities and expenditures should be properly approved and supporting documentation should be maintained. • Student store inventory should be counted periodically and reviewed including supporting documentation. • A receipt should be issued when an item is sold, and a receipt copy should be maintained. • The student store administrator should prepare a profit and loss statement that should be reviewed by another individual.	Not implemented, see finding #2009-1.

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

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

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

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

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

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the MT. DIABLO UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") in the name of the District of $12,000,000* Mt. Diablo Unified School District (Contra Costa County, California) 2009-10 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on January 26, 2010, and a resolution adopted by the Board on February 9, 2010 (collectively, the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"*Dissemination Agent*" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

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

Section 3. Reporting of Significant Events.

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

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

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

(c) *Notice to Dissemination Agent*. If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

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

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Noteholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Noteholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Noteholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: [Closing Date]

MT. DIABLO UNIFIED SCHOOL DISTRICT

By ______________________________
Superintendent

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

APPENDIX C

FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, California 94519

OPINION: $12,000,000 Mt. Diablo Unified School District (Contra Costa County, California) 2009-10 Tax and Revenue Anticipation Notes

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Members of the Board of Education:

We have acted as bond counsel to the Mt. Diablo Unified School District (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") of $12,000,000 principal amount of Mt. Diablo Unified School District (Contra Costa County, California) 2009-10 Tax and Revenue Anticipation Notes, dated March 4, 2010 (the "Notes"), pursuant to Article 7.6 (commencing with section 53850), Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, a resolution adopted by the Board of Education of the District on January 26, 2010 (the "District Resolution"), and a resolution adopted by the Board on February 9, 2010 (the "Board Resolution" and, collectively, the "Resolutions"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to perform its obligations under the District Resolution, to cause the Board to issue the Notes in its name and to perform its obligations under the Board Resolution and the Notes.

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

3. The Notes have been duly authorized, issued and delivered by the Board and are valid and binding general obligations of the District enforceable in accordance with their terms.

4. Subject to the District's compliance with certain covenants, interest on the Notes (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) interest on the Notes is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Notes to be includable in gross income for federal income

tax purposes retroactively to the date of issuance of the Notes. It is also our opinion that the Notes are "qualified tax exempt obligations" under section 265(b)(3) of the Code.

5. Interest on the Notes is exempt from personal income taxation imposed by the State of California.

Ownership of the Notes may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Notes.

The rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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Government
Financial
Strategies
inc.