NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: "Aa3"
Standard & Poor's: "AAA"
(See "RATINGS" herein.)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Special Tax Counsel, the interest on the Series A Bonds is exempt from California personal income taxes. In the opinion of Special Tax Counsel, subject, however to certain qualifications described herein, under existing law, the Series B Bonds constitute "New Clean Renewable Energy Bonds" within the meaning of Section 54C of the Internal Revenue Code of 1986 and are eligible for the credit payable by the federal government under Section 6431(f)(2) of the Tax Code. Interest on the Series B Bonds is not intended to be excluded from gross income for federal income tax purposes. In the further opinion of Special Tax Counsel, interest on the Series B Bonds is exempt from State of California personal income taxes. See "TAX MATTERS."

$109,996,475
MT. DIABLO UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)

$50,456,475
GENERAL OBLIGATION BONDS
2010 ELECTION, 2010 SERIES A
including

$2,997,216.20
Capital Appreciation Bonds

$47,459,258.80
Convertible Capital Appreciation Bonds

and

$59,540,000
GENERAL OBLIGATION BONDS
2010 ELECTION, 2010 SERIES B
(FEDERALLY TAXABLE NEW CLEAN RENEWABLE ENERGY BONDS - DIRECT PAYMENT)

Dated: Date of Delivery **Due: August 1, as shown on inside cover.**

The General Obligation Bonds, 2010 Election, 2010 Series A (the "Series A Bonds") and General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment) (the "Series B Bonds" and together with the Series A Bonds, the "Bonds") are issued under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of not more than $348,000,000 of general obligation bonds approved by more than 55% of the qualified voters of the District voting on the proposition at a general election held on June 8, 2010. The Bonds are being issued (i) to finance the construction, acquisition, furnishing and equipping of District facilities (ii) to prepay certain existing outstanding lease purchase obligations of the District, and (iii) to pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF FINANCE." The Bonds are the first and second series of bonds issued under the Authorization and are issued on a parity with all other general obligation bonds of the District.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds"), capital appreciation bonds (the "Capital Appreciation Bonds") and convertible capital appreciation bonds (the "Convertible Capital Appreciation Bonds"). The Series A Bonds will be issued as capital appreciation bonds (the "Capital Appreciation Bonds") and convertible capital appreciation bonds (the "Convertible CABs"). The Series B Bonds will be issued as current interest bonds (the "Current Interest Bonds") which are New Clean Renewable Energy Bonds under the provisions of the American Recovery and Reinvestment Act of 2009, with a direct payment to be paid to the District by the United States Department of the Treasury. Interest on the Current Interest Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2011. The Capital Appreciation Bonds and the Convertible CABs, initially, accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2011. See "THE BONDS" herein. From and after their Conversion Date (as specified on the inside cover), the Convertible CABs will become Current Interest Bonds.

The Bonds will be issued in book-entry form only, in denominations of $5,000 principal amount, Maturity Value or Conversion Value or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by Wells Fargo Bank National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System."

The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described herein. See "THE BONDS – Redemption" herein.

The Bonds are general obligations of the District only and are not obligations of the County of Contra Costa (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal or Maturity Value or Conversion Value of, and premium, if any, and interest on each Bond as the same becomes due and payable.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)**

ASSURED GUARANTY MUNICIPAL

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriters subject to the approval of legality by Matt Juhl Darlington & Associates, Chico, California, Bond Counsel, and certain other conditions. Matt Juhl Darlington & Associates, Chico, California, is acting as Disclosure Counsel for the issue. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Special Tax Counsel to the District with respect to issuance of the Bonds. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about September 30, 2010.

STONE & YOUNGBERG

GEORGE K. BAUM & COMPANY **BRANDIS TALLMAN LLC**

The Date of this Official Statement is: September 22, 2010

MATURITY SCHEDULE

$50,456,475.00
MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
2010 ELECTION, 2010 SERIES A

$2,997,216.20 Capital Appreciation Bonds

Maturity Date (August 1)	Initial Principal Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP[1] (621196)
2016	$ 27,860.25	12.000%	2.460%	$ 55,000.00	WV2
2017	22,541.00	12.000	2.900	50,000.00	WW0
2018	24,073.80	12.000	3.300	60,000.00	WX8
2019	26,781.75	12.000	3.650	75,000.00	WY6
2020	28,602.90	12.000	4.000	90,000.00	WZ3
2021	1,245,954.25	12.000	4.400	4,405,000.00	XA7
2022	1,621,402.25	9.700	4.700	4,975,000.00	XB5

$47,459,258.80 Convertible Capital Appreciation Term Bonds

Maturity Date (August 1)	Initial Principal Amount	Accretion Rate	Yield	Conversion Value	Conversion Date (August 1)	Interest Rate after Conversion	CUSIP[1] (621196)
2025	$ 1,870,543.15	5.100%	5.100%	$ 3,395,000	2022	5.000%	XC3
2030	24,970,752.90	5.560	5.560	47,790,000	2022	5.500	XD1
2035	20,617,962.75	5.770	5.770	40,425,000	2022	5.750	XE9

$59,540,000
MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
2010 ELECTION, 2010 SERIES B
(FEDERALLY TAXABLE NEW CLEAN REWEWABLE ENERGY BONDS – DIRECT PAYMENT)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (621196)
2011	$1,685,000	1.244%	1.244%	XF6
2015	3,680,000	3.009	3.009	XK5
2016	2,720,000	3.487	3.487	XL3
2017	3,490,000	3.887	3.887	XM1
2018	4,325,000	4.348	4.348	XN9
2019	5,230,000	4.548	4.548	XP4
2020	6,205,000	4.748	4.748	XQ2
2021	2,945,000	4.948	4.948	XR0
2022	3,380,000	5.048	5.048	XS8

$25,880,000 5.548% Term Bonds due August 1, 2027 – Priced to Yield: 5.548% CUSIP: 621196 XT6

No dealer, broker, salesperson or other person has been authorized by the Mt. Diablo Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

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. Although certain information set forth in this Official Statement has been provided by the County of Contra Costa, the County of Contra Costa has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE CONTRA COSTA COUNTY TREASURY POOL."

The Underwriters have provided the following sentence for inclusion in this Official Statement. "The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information."

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G - Specimen Municipal Bond Insurance Policy".

MT. DIABLO UNIFIED SCHOOL DISTRICT
Contra Costa County, State of California

Board of Education

Paul Strange, *President*
Gary Eberhart, *Vice-President*
Richard Allen, *Member*
Linda Mayo, *Member*
Sherry Whitmarsh, *Member*

District Administrators

Steven Lawrence, Ph.D., *Superintendent*
Rose Lock, *Assistant Superintendent of Student Achievement and School Support*
Mildred Browne, Ed.D., *Assistant Superintendent, Special Education and Student Services*
Julie Braun-Martin, *Assistant Superintendent, Personnel Services*
Bryan Richards, *Chief Financial Officer*
Gregory J. Rolen, *General Counsel*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Matt Juhl Darlington & Associates
Chico, California

Special Tax Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor

Isom Advisors, a Division of Urban Futures Incorporated
Walnut Creek, California

Paying Agent, Transfer Agent, Registration Agent and Escrow Agent

Wells Fargo Bank National Association
San Francisco, California

Escrow Verification

Causey, Demgen & Moore Inc.
Denver, Colorado

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$109,996,475
MT. DIABLO UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)

$50,456,475 **GENERAL OBLIGATION BONDS** **2010 ELECTION, 2010 SERIES A** **(the "Series A Bonds")**	**and**	**$59,540,000** **GENERAL OBLIGATION BONDS** **(TAXABLE NEW CLEAN RENEWABLE ENERGY BONDS - DIRECT PAYMENT)** **2010 ELECTION, 2010 SERIES B** **(the "Series B Bonds")**

INTRODUCTION

This Introduction 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, including the cover page, inside 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 Bonds to potential investors is made only by means of the entire Official Statement.

The Mt. Diablo Unified School District (the "District") proposes to issue $50,456,475 aggregate issue amount of its General Obligation Bonds, 2010 Election, 2010 Series A (the "Series A Bonds") and $59,540,000 aggregate principal amount of its General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds - Direct Payment) (the "Series B Bonds"), under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of not more than $348,000,000 of general obligation bonds approved by more than 55% of the qualified voters of the District voting on the proposition at a general election held on June 8, 2010 (the "Election"). The Bonds are the first and second series of bonds issued under the Authorization. The Bonds are issued on a parity with all general obligation bonds of the District, including future general obligation bonds issued under the Authorization.

Purpose of Issue

Proceeds from the sale of the Bonds will be used (i) for the acquisition, construction, furnishing and equipping of District facilities, (ii) to prepay certain outstanding lease purchase obligations of the District and (iii) to pay costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

The net proceeds of the Series A Bonds maturing on August 1, 2016 through August 1, 2022, August 1, 2025 and August 1, 2035 and the proceeds of the Series B Bonds (collectively, the "New Money Bonds") will be applied to finance the acquisition, construction, furnishing and equipping of District facilities. No portion of the proceeds of the New Money Bonds will be applied to refund any outstanding obligations of the District. The net proceeds of the Series A Bond maturing on August 1, 2030 will applied to finance both the acquisition, construction, furnishing and equipping of District facilities and the prepayment of certain outstanding lease purchase obligations of the District. See "PLAN OF FINANCE- Projects Intended to be Financed with Proceeds of the Bonds" herein.

Registration

Wells Fargo Bank National Association will act as the initial registrar, transfer agent, authentication agent and paying agent for the Bonds (the "Paying Agent"). As long as The Depository Trust Company, New York, New York ("DTC") is the registered Owner of the Bonds and DTC's book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. See "THE BONDS – Description of the Bonds" herein.

The District

The District, a unified school district of the State of California (the "State"), was established on July 1, 1949, and is located in the northwestern portion of Contra Costa County (the "County"). The District covers approximately 150 square miles including the cities of Concord, Pleasant Hill and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated areas of the County, including Pacheco and Bay Point and is located approximately 30 miles northeast of San Francisco. The District provides kindergarten through twelfth grade education services in thirty-one elementary schools, ten middle schools, six high schools and twenty alternative schools and programs, and provides adult education in two adult education centers. The District's estimated average daily attendance for fiscal year 2010-11 is 32,343.60 students, and the District has a 2010-11 assessed valuation of $29,906,094,881. The District's audited financial statements for the fiscal year ended June 30, 2009 are attached hereto as APPENDIX C. For further information concerning the District, see the caption "MT. DIABLO UNIFIED SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of, and interest on, the Bonds when due. See "SECURITY FOR THE BONDS" and "MT. DIABLO UNIFIED SCHOOL DISTRICT" herein

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under certain provisions of the Government Code of the State and pursuant to a resolution adopted by the Board of Education of the District. See "THE BONDS - Authority for Issuance and Security for the Bonds" herein.

Redemption

The Series A Bonds are subject to optional and mandatory redemption as described herein. The Series B Bonds are subject to mandatory and extraordinary redemption as described herein. See "THE BONDS – Redemption" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

Designation of Series B Bonds as New Clean Renewable Energy Bonds

The District filed applications with the Internal Revenue Service (the "IRS") for allocations of New Clean Renewable Energy Bonds for certain solar energy projects at sites throughout the District. On

October 23, 2009, the District received 46 separate allocations from the IRS of New Clean Renewable Energy Bonds in an aggregate amount of $59,543,532 for such projects (the "Allocations").

The District has designated the Series B Bonds as New Clean Renewable Energy Bonds under the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA") with a direct payment to be paid to the District by the United States Department of the Treasury (the "U.S. Treasury") representing a portion of the interest payable on the Series B Bonds. See "THE BONDS – Description of the Bonds-New Clean Renewable Energy Bonds."

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Special Tax Counsel, the interest on the Series A Bonds is exempt from California personal income taxes. In the opinion of Special Tax Counsel, subject, however to certain qualifications described herein, under existing law, the Series B Bonds constitute "New Clean Renewable Energy Bonds" within the meaning of Section 54C of the Internal Revenue Code of 1986 and are eligible for the credit payable by the federal government under Section 6431(f)(2) of the Tax Code. Interest on the Series B Bonds is not intended to be excluded from gross income for federal income tax purposes. In the further opinion of Special Tax Counsel, interest on the Series B Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about September 30, 2010.

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 1, Division 1, Part 10, Chapter 1.5 of the Government Code of the State of California (the "Government Code") (commencing with Section 53506) and pursuant to a resolution of the Board of Education of the District adopted on August 10, 2010 (the "Resolution").

The Bonds are being issued pursuant to provisions of the State Constitution affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, and were therefore approved by a 55% vote of the electorate voting on the proposition at the election conducted within the District on June 8, 2010. See the caption "Proposition 39" under the heading "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The Bonds are issued under and pursuant to a bond authorization for the issuance and sale of not more than $348,000,000 of general obligation bonds approved by more than 55% of the qualified voters of the District voting on the proposition at a general election held on June 8, 2010.

Purpose of Issue

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which includes improving science, career and technical education facilities; upgrading classroom instructional technology; repairing leaky roofs; improving safety; maximizing energy efficiency including adding solar panels and modern air conditioning; and repairing, replacing, equipping or modernizing other school facilities. For a more detailed description of the intended uses of the proceeds of the Bonds, see the caption "PLAN OF FINANCE" below.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of $5,000 principal amount, Maturity Value or Conversion Value or integral multiples thereof. The Series A Bonds will be issued as current interest bonds (the "Current Interest Bonds"), capital appreciation bonds (the "Capital Appreciation Bonds") and/or convertible capital appreciation bonds (the "Convertible CABs"). The Series B Bonds will be issued as Current Interest Bonds which are New Clean Renewable Energy Bonds under the provisions of the ARRA, with a direct payment to be paid to the District by the U.S. Treasury, in an amount equal to the lesser of (i) the amount of interest payable with respect to the Series B Bonds on each February 1 and August 1 (each, an "Interest Payment Date") in each of the years set forth on the inside cover page of this Official Statement or (ii) 70% of the amount of interest which would have been payable on the Series B Bonds on such date if such interest were determined at the applicable credit rate determined under Section 54(c) of the Code. The principal of the Current Interest Bonds is payable on the maturity dates of the respective Bonds or the earlier redemption of such Current Interest Bonds. Interest on the Current Interest Bonds is payable on each Interest Payment Date in each of the years, commencing February 1, 2011, and in the principal amounts, set forth on the inside cover page of this Official Statement.

The Capital Appreciation Bonds are payable only at maturity and will not bear interest on a current basis. The Maturity Value of each Capital Appreciation Bond is equal to its accreted value upon the maturity thereof, being comprised of its initial purchase price (the "Initial Principal Amount") and the accreted interest between the delivery date and its respective maturity date. The Capital Appreciation Bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2011, through their maturity dates as set forth on the inside cover page of this Official Statement.

The Convertible CABs do not bear interest on a current basis from their date of issuance through their Conversion Date; from and after their Conversion Date, the Convertible CABs will become Current Interest Bonds and will bear interest on the basis of their Conversion Value at the interest rates stated on the inside cover page hereof. The Conversion Value of each Convertible CAB is equal to its accreted value upon the Conversion Date thereof, being comprised of its initial Principal Amount and the accreted interest between the delivery date and its Conversion Date. The Convertible CABs accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until their Conversion Dates as set forth on the inside cover page of this Official Statement at which time the Convertible CABs become Current Interest Bonds and interest is payable on each Interest Payment Date, commencing February 1, 2023 until maturity, at the rates as set forth on the inside cover page of this Official Statement.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, principal amount or Maturity Value of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by Wells Fargo Bank National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" herein.

New Clean Renewable Energy Bonds

General. The Series B Bonds are "New Clean Renewable Energy Bonds," which is a category of subsidy bond introduced by ARRA. Under the federal tax law rules applicable to New Clean Renewable Energy Bonds, all available proceeds of the Series B Bonds (computed as sale proceeds less costs of issuance (not exceeding 2% of sale proceeds) plus investment earnings on the available proceeds) must be spent on capital expenditures with respect to a Qualified Renewable Energy Facility (defined below) owned by a public power provider, a governmental body or a cooperative electric company. Proceeds of a "New Clean Renewable Energy Bond" may generally not be used to acquire existing facilities, to refund existing debt or to fund a reserve fund or sinking fund.

In addition, the District must receive an allocation from the IRS of New Clean Renewable Energy Bonds. See "INTRODUCTION- Designation of Series B Bonds as New Clean Renewable Energy Bonds" above. The District has allotted all of its New Clean Renewable Energy Bond allocation to the Series B Bonds pursuant to a resolution adopted by the Board of Education on August 10, 2010.

"Qualified Renewable Energy Facility" means one of the following:

- Certain wind facilities.
- Certain closed-loop biomass facilities.
- Certain open-loop biomass facilities.
- Certain geothermal or solar energy facilities.
- Certain small irrigation power facilities.
- Certain landfill gas facilities.
- Certain trash facilities.
- Certain qualified hydropower facilities.
- Certain marine and hydrokinetic renewable energy facilities.

Cash Subsidy. The District expects to receive a cash subsidy payment from the U. S. Treasury equal to 70% of the credit rate that would allow the Series B Bonds to sell at par on or about each Interest Payment Date. The cash payment does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the U.S. Treasury under the ARRA. The failure to receive the subsidy payments from the U.S. Treasury will not impact the District's obligation to pay debt service on the Series B Bonds. The District can give no assurances about future changes in legislation or U.S. Treasury regulations or the U.S. Treasury's practice of netting the subsidy payments against other tax liabilities of the District, all of which could impact the District's receipt of the subsidy payments.

Certain Risk Factors Relating to New Clean Renewable Energy Bonds

In the event the District fails to expend all of certain proceeds of the Series B Bonds for a qualified purpose with respect to the Allocation within the period ending three years after the date of issue of the Series B Bonds or such later date if extended by the IRS, the District is required to use said unexpended proceeds to redeem all or a portion of the Series B Bonds all in accordance with the requirements of Section 54A(d)(2)(B) of the Code in the time and manner prescribed by the Code. See "THE BONDS – Redemption – Series B Bonds" below.

The District has not pledged the subsidy payments it is entitled to receive with respect to the Series B Bonds as security for the Series B Bonds, and the failure to receive the subsidy payments from the U.S. Treasury will not impact the District's obligation to pay debt service on the Series B Bonds. However, the District's right to receive those payments reduces the effective interest rate with respect to the Series B Bonds.

The District must comply with certain requirements of the Code in order for the Series B Bonds to continue to be eligible for subsidy payments from the U. S. Treasury under the ARRA. The District has covenanted to comply with each of these requirements. However, failure by the District to comply with these requirements may result in a delay or forfeiture of all or a portion of the subsidy payments and may cause the Series B Bonds to cease to be eligible for the subsidy payments, either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of issuance of the Series B Bonds. Should such an event occur, the Series B Bonds are not subject to mandatory extraordinary prepayment and will remain outstanding until maturity or until the District decides to exercise its right to optional prepayment of the Series B Bonds.

In addition, it is important to note that new clean renewable energy bonds are a new product introduced by the ARRA. As such, the District can provide no assurance that future legislation or clarifications or amendments to the Code, if enacted into law, or future court decisions will not reduce or eliminate the subsidy payments with respect to the Series B Bonds. The subsidy payments do not constitute a full faith and credit guarantee of the United States government, but are required to be paid by the U.S. Treasury under ARRA. In such event, the Series B Bonds would be subject to optional prepayment by the District prior to their maturity. See "THE BONDS – Redemption – Series B Bonds" below.

Finally, the IRS has indicated that it will withhold subsidy payments that issuers of tax subsidy bonds are otherwise entitled to receive in order to pay outstanding debts owed by the issuer to the federal government. According to the IRS, approximately 1% of all Build America Bond subsidy payments were affected by offsets in 2009. The District does not believe it owes the federal government any money as of the date of this Official Statement that would be subject to offset by the IRS.

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Estimated Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows:

	Series A Bonds	Series B Bonds	Total
Sources of Funds			
Principal or Issue Amount of Bonds	$50,456,475.00	$59,540,000.00	$109,996,475.00
Net Original Issue Premium	2,734,346.90	0.00	2,734,346.90
Total Sources	$53,190,821.90	$59,540,000.00	$112,730,821.90
Uses of Funds			
Deposit to Debt Service Fund	$ 952,835.84	$ 0.00	$ 952,835.84
Deposit to Building Fund	36,171,179.45	59,540,000.00	95,711,179.45
Deposit to 1998 Prepayment Fund	5,039,405.39	0.00	5,039,405.39
Prepayment of 2006 Lease Purchase Agreement	5,495,565.97	0.00	5,495,565.97
Prepayment of 2007 Lease Purchase Agreement	3,750,324.19	0.00	3,750,324.19
Costs of Issuance(1)	1,781,511.06	0.00	1,781,511.06
Total Uses	$53,190,821.90	$59,540,000.00	$112,730,821.90

(1) Payment of Underwriters' discount, printing fees, Bond and Disclosure Counsel fees, Special Tax Counsel fees, financial advisory fees, bond insurance premium and other costs of issuance.

Redemption

Series A Bonds – Capital Appreciation Bonds

The Series A Bonds maturing on or before August 1, 2022 are not subject to redemption prior to their fixed maturity dates.

Series A Bonds – Convertible CABs

Optional Redemption. The Series A Bonds maturing on or after August 1, 2025 are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, on any date on or after August 1, 2025, as a whole or in part, at a redemption price equal to the principal amount of the Series A Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on August 1, 2025, are also subject to mandatory sinking fund redemption, in part, on August 1 of each year from moneys in the Debt Service Fund established under the Resolution and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Payment Date (August 1)	**Principal**	**Conversion Value**
2023	$250,691.35	$455,000
2024	611,576.70	1,110,000
2025[1]	1,008,275.10	1,830,000

[1] Maturity.

The Series A Bonds maturing on August 1, 2030, are also subject to mandatory sinking fund redemption, in part, on August 1 of each year from moneys in the Debt Service Fund established under the Resolution and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Payment Date (August 1)	**Principal**	**Conversion Value**
2026	$1,371,588.75	$2,625,000
2027	1,831,397.55	3,505,000
2028	6,152,555.25	11,775,000
2029	7,205,412.90	13,790,000
2030[1]	8,409,798.45	16,095,000

[1] Maturity.

The Series A Bonds maturing on August 1, 2035, are also subject to mandatory sinking fund redemption, in part, on August 1 of each year from moneys in the Debt Service Fund established under the Resolution and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Payment Date (August 1)	**Principal**	**Conversion Value**
2031	$9,506,959.20	$18,640,000
2032	2,838,316.95	5,565,000
2033	2,488,946.40	4,880,000
2034	2,751,611.85	5,395,000
2035[1]	3,032,128.35	5,945,000

[1] Final maturity.

Selection of Series A Bonds for Redemption. If less than all of the Series A Bonds are called for redemption, such Series A Bonds will be redeemed in inverse order of maturities, or as otherwise directed by the District, and if less than all of the Series A Bonds of any given maturity are called for redemption, the portions of such Series A Bonds of a given maturity to be redeemed will be determined by lot. For purposes of such determination, each Bond will be deemed to consist of individual Series A Bonds in denominations of $5,000 principal amount which may be separately redeemed.

Series B Bonds

Optional Redemption. The Series B Bonds are not subject to optional redemption prior to their fixed maturity dates.

Mandatory Sinking Fund Redemption. The Series B Bonds maturing on August 1, 2027, are subject to mandatory sinking fund redemption, in part, on August 1 of each year from moneys in the Debt Service Fund established under the Resolution and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
2023	$3,915,000
2024	4,505,000
2025	5,135,000
2026	5,805,000
2027[1]	6,520,000

[1] Maturity.

Extraordinary Optional Redemption of the Series B Bonds. The Series B Bonds shall also be subject to extraordinary optional redemption at the option of the District upon the occurrence of an Extraordinary Event (as defined below), in whole or in part, on any date at a redemption price equal to the greater of:

(i) the principal amount of the Series B Bonds to be redeemed, plus interest accrued to the redemption date, and

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series B Bonds are to be redeemed, discounted to the date on which such Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus one hundred basis points, plus interest accrued to the redemption date. Such redemption may be made from the moneys deposited therefor in the Debt Service Fund of the District established under the Resolution for payment of principal of and interest on the Series B Bonds when due.

The redemption price will be determined by an independent accounting firm, investment banking firm, or financial advisor retained by the District at the District's expense to make such calculation. The

Paying Agent and the District may conclusively rely on such determination and will not be liable for such reliance.

"Extraordinary Event" means (i) a determination by the District that any material amendment or modification has occurred to Section 54C or Section 6431 of the Internal Revenue Code (as such Sections were added by Section 1531 of the ARRA pertaining to "New Clean Renewable Energy Bonds"), or guidance has been published by the U.S. Treasury or the IRS interpreting those sections, or any other determination has been made by said federal agencies or by a court of competent jurisdiction, pursuant to which payments from the U.S. Treasury with respect to the Series B Bonds are reduced or eliminated, other than as the result of an act or omission by the District to satisfy the requirements under said Act to qualify for or receive payments or (ii) a determination by the U.S. Treasury, the IRS or a court of competent jurisdiction that the Series B Bonds are not New Clean Renewable Energy Bonds within the meaning of Section 54(c) of the Code.

Extraordinary Mandatory Redemption of the Series B Bonds. The Series B Bonds shall also be subject to mandatory redemption by the District from, and to the extent of, any unexpended proceeds of the Series B Bonds (i) if the District spends any portion of the available project proceeds of the Series B Bonds for any purpose other than a Qualified Purpose, or (ii) to the extent that less than 100 percent of the available project proceeds of the Series B Bonds are expended within the 3-year period beginning on the date of issuance of the Series B Bonds, including any extensions thereof under section 54A(d)(2)(B)(iii) of the Code, for a Qualified Purpose. The mandatory redemption under section (i) of the preceding sentence shall occur within 90 days following the date on which an action is taken that causes the Series B Bonds not to be used for the Qualified Purpose for which the Series B Bonds were issued. The mandatory redemption under section (ii) of the second preceding sentence shall occur within 90 days following the earlier of the date on which the District reasonably determines that the financed facility will not be completed or the date on which the financed facility is placed in service.

"Qualified Purpose" means, with respect to any Extraordinary Mandatory Redemption, a purpose described in Section 54C(a)(1) of the Code.

In the event of a mandatory redemption, then the redemption price shall be the greater of:

(i) the principal amount of the Series B Bonds to be redeemed, plus interest accrued to the redemption date, and

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series B Bonds are to be redeemed, discounted to the date on which such Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the U.S. Treasury Rate (as defined below), plus one hundred basis points, plus interest accrued to the redemption date. Such redemption may be made from the moneys deposited therefor in the Debt Service Fund of the District established under the Resolution for payment of principal of and interest on the Series B Bonds when due.

The redemption price will be determined by an independent accounting firm, investment banking firm, or financial advisor retained by the District at the District's expense to make such calculation. The Paying Agent and the District may conclusively rely on such determination and will not be liable for such reliance.

“Treasury Rate” with respect to any Extraordinary Redemption, means, as of any redemption date of any Series B Bonds, the yield to maturity as of the redemption date of U.S. Treasury securities with a constant maturity, excluding inflation-indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data), most nearly equal to the period from the redemption date to the maturity date of the Series B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the Treasury Rate means the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year.

Selection of Series B Bonds for Redemption. If fewer than all of the Series B Bonds are called for redemption, then (i) if the Series B Bonds are in book-entry form at the time of such redemption, the Paying Agent shall instruct DTC to instruct the DTC participants to select the specific Series B Bonds for redemption pro rata, and neither the District nor the Paying Agent shall have any responsibility to ensure that DTC or the DTC participants properly select such Series B Bonds for redemption; and (ii) if the Series B Bonds are not in book-entry form at the time of redemption, on each redemption date, the Paying Agent shall select the specific Series B Bonds for redemption pro rata. The portion of any registered Series B Bond in a denomination of more than $5,000 to be redeemed will be redeemed in the principal amount of $5,000 or any integral multiple thereof. The Paying Agent will select portions of the Series B Bonds to be redeemed in such manner as the Paying Agent in its discretion may deem to be fair and appropriate.

Notice of Redemption

Notice of redemption for the Bonds will be mailed postage prepaid not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the respective registered owners thereof at the addresses appearing on the bond registration books. Such Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price or Maturity Value, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount or Maturity Value, as appropriate, of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date in the case of Current Interest Bonds, and that from and after such date interest with respect thereto shall cease to accrue or accrete and be payable.

The actual receipt by any Owner of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal and Maturity Value of and premium, if any, is set aside for such purpose, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at said redemption price out of the money provided therefor, and interest will cease to accrue on such Bonds called for redemption after the redemption date specified in such notice, and the registered owners of said Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the premium thereon only to such money provided therefor.

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the Interest Payment Date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount or Maturity Value of $5,000 or any integral multiple thereof.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount, Maturity Value or Conversion Value, upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing or accreting interest at the same rate and maturing on the same date.

Debt Service Schedule

The tables on the following pages summarize the debt service requirements of the District for the Bonds and the District's General Obligation Bonds, Election of 2002, Series 2002 (the "2002 Bonds"), General Obligation Bonds (Election of 2002, Series 2004) (the "2004 Bonds") and General Obligation Bonds, Election of 2002, Series 2006 (the "2006 Bonds):

MT. DIABLO UNIFIED SCHOOL DISTRICT
DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Series A Bonds Principal	Series A Bonds Interest	Series A Bonds Compounded Interest	Series B Bonds Principal	Series B Bonds Interest	Total Debt Service
2011	-	-	-	$1,685,000.00	$2,370,277.59	$4,055,277.59
2012	-	-	-	-	2,813,922.10	2,813,922.10
2013	-	-	-	-	2,813,922.10	2,813,922.10
2014	-	-	-	-	2,813,922.10	2,813,922.10
2015	-	-	-	3,680,000.00	2,813,922.10	6,493,922.10
2016	$27,860.25	-	$ 27,139.75	2,720,000.00	2,703,190.90	5,478,190.90
2017	22,541.00	-	27,459.00	3,490,000.00	2,608,344.50	6,148,344.50
2018	24,073.80	-	35,926.20	4,325,000.00	2,472,688.20	6,857,688.20
2019	26,781.75	-	48,218.25	5,230,000.00	2,284,637.20	7,589,637.20
2020	28,602.90	-	61,397.10	6,205,000.00	2,046,776.80	8,341,776.80
2021	1,245,954.25	-	3,159,045.75	2,945,000.00	1,752,163.40	9,102,163.40
2022	1,621,402.25	-	3,353,597.75	3,380,000.00	1,606,444.80	9,961,444.80
2023	250,691.35	$5,122,637.50	204,308.65	3,915,000.00	1,435,822.40	10,928,459.90
2024	611,576.70	5,099,887.50	498,423.30	4,505,000.00	1,218,618.20	11,933,505.70
2025	1,008,275.10	5,044,387.50	821,724.90	5,135,000.00	968,680.80	12,978,068.30
2026	1,371,588.75	4,952,887.50	1,253,411.25	5,805,000.00	683,791.00	14,066,678.50
2027	1,831,397.55	4,808,512.50	1,673,602.45	6,520,000.00	361,729.60	15,195,242.10
2028	6,152,555.25	4,615,737.50	5,622,444.75	-	-	16,390,737.50
2029	7,205,412.90	3,968,112.50	6,584,587.10	-	-	17,758,112.50
2030	8,409,798.45	3,209,662.50	7,685,201.55	-	-	19,304,662.50
2031	9,506,959.20	2,324,437.50	9,133,040.80	-	-	20,964,437.50
2032	2,838,316.95	1,252,637.50	2,726,683.05	-	-	6,817,637.50
2033	2,488,946.40	932,650.00	2,391,053.60	-	-	5,812,650.00
2034	2,751,611.85	652,050.00	2,643,388.15	-	-	6,047,050.00
2035	3,032,128.35	341,837.50	2,912,871.65	-	-	6,286,837.50
Total	$50,456,475.00	$42,325,437.50	$50,863,525.00	$59,540,000.00	$33,768,853.79	$236,954,291.29

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MT. DIABLO UNIFIED SCHOOL DISTRICT
DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Bond Year[1]	Series 2002 Bonds	Series 2004 Bonds	Series 2006 Bonds	The Bonds	Total Debt Service
2011	$ 3,766,462.50	$ 8,661,968.76	$ 3,643,030.00	$4,055,277.59	$20,126,738.85
2012	3,765,600.00	8,620,893.76	3,906,430.00	2,813,922.10	19,106,845.86
2013	3,747,600.00	8,566,643.76	4,197,180.00	2,813,922.10	19,325,345.86
2014	3,750,362.50	8,522,893.76	4,155,680.00	2,813,922.10	19,242,858.36
2015	3,739,362.50	8,516,862.50	3,607,680.00	6,493,922.10	22,357,827.10
2016	3,733,862.50	8,514,000.00	3,600,817.50	5,478,190.90	21,326,870.90
2017	3,723,362.50	8,481,000.00	3,652,467.50	6,148,344.50	22,005,174.50
2018	3,731,525.00	8,453,750.00	3,660,637.50	6,857,688.20	22,703,600.70
2019	3,737,550.00	8,426,500.00	3,655,912.50	7,589,637.20	23,409,599.70
2020	3,741,662.50	8,403,750.00	3,634,275.00	8,341,776.80	24,121,464.30
2021	3,754,837.50	8,379,750.00	3,593,250.00	9,102,163.40	24,830,000.90
2022	3,766,362.50	8,364,000.00	3,526,550.00	9,961,444.80	25,618,357.30
2023	3,776,000.00	8,345,500.00	3,440,300.00	10,928,459.90	26,490,259.90
2024	3,780,750.00	8,333,750.00	3,340,400.00	11,933,505.70	27,388,405.70
2025	3,787,500.00	8,327,750.00	3,212,525.00	12,978,068.30	28,305,843.30
2026	3,795,750.00	8,326,500.00	3,058,025.00	14,066,678.50	29,246,953.50
2027	-	8,324,000.00	6,688,250.00	15,195,242.10	30,207,492.10
2028	-	8,329,500.00	6,469,750.00	16,390,737.50	31,189,987.50
2029	-	8,331,750.00	6,235,500.00	17,758,112.50	32,325,362.50
2030	-	-	14,311,250.00	19,304,662.50	33,615,912.50
2031	-	-	13,996,500.00	20,964,437.50	34,960,937.50
2032	-	-	-	6,817,637.50	6,817,637.50
2033	-	-	-	5,812,650.00	5,812,650.00
2034	-	-	-	6,047,050.00	6,047,050.00
2035	-	-	-	6,286,837.50	6,286,837.50
Total	$60,098,550.00	$160,230,762.54	$105,586,410.00	$236,954,291.29	$562,870,013.83

(1) The Bond Year ends August 1 for the 2002 Bonds, July 1 for the 2004 Bonds and June 1 for the 2006 Bonds. The Bond Year for the Bonds ends August 1.

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Defeasance

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or Defeasance Securities (defined below), in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the interest and sinking fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates. In such event, the Owners of such Bonds shall cease to be entitled to the obligation of the District to levy taxes for the payment thereof, and such obligation and all agreements and covenants of the District and of the County to such Owners under the Resolution and under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Bonds, but only out of monies on deposit in the interest and sinking fund or otherwise held in trust for such payment.

"Defeasance Securities" means non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: U.S. Treasury Obligations; Farmers Home Administration certificates of beneficial ownership; General Services Administration participation certificates; U.S. Maritime Administration Guaranteed Title XI financing; Small Business Administration guaranteed participation certificates and guaranteed pool certificates; Government National Mortgage Association (GNMA) guaranteed mortgage-backed securities and guaranteed participation certificates; U.S. Department of Housing and Urban Development local authority bonds; Washington Metropolitan Area Transit Authority guaranteed transit bonds; State and Local Government Series; and Veterans Administration guaranteed REMIC Pass-through certificates; and the following non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations; Farm Credit System (formerly: Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives) consolidated systemwide bonds and notes; Federal Home Loan Banks (FHL Banks) consolidated debt obligations; Federal National Mortgage Association (FNMA) debt obligations; Student Loan Marketing Association (SLMA) debt obligations; Financing Corp. (FICO) debt obligations; Resolution Funding Corp. (REFCORP) debt obligations; U.S. Agency for International Development (U.S. A.I.D.) guaranteed notes (provided such notes mature at least 4 business days before the appropriate payment date); and stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U.S. Treasury, and REFCORP securities stripped by the Federal Reserve Bank of New York.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts or Maturity Value of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX E hereto.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The District is current on all filings required pursuant to its previous continuing disclosure agreements. See "CONTINUING DISCLOSURE" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County of Contra Costa has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal, Maturity Value and Conversion Value of and interest on the Bonds. Subsequent to the issuance of the Bonds, $238,003,525 aggregate principal amount of general obligation bonds will remain for issuance under the Authorization. All general obligation bonds of the District are issued on a parity with one another.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp. (Formerly Known as Financial Security Assurance Inc.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGM. At the same time, S&P continued its negative outlook on AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010.

Capitalization of AGM

At June 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,264,680,337 and its total net unearned premium reserve was approximately $2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the Internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

PLAN OF FINANCE

The District intends to apply the net proceeds of the Bonds to finance and refinance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election.

The "Strict Accountability in Local School Construction Bonds Act of 2000," known as Proposition 39, comprising Section 15264 *et seq.* of the Education Code, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds (the "Project List"). The following description includes all elements of the Project List; however, for each series of the Bonds, the District will prioritize among these elements and will not undertake to complete all components of the Project List.

The projects to be constructed, improved, installed or otherwise implemented for the District from the proceeds of the Bonds and the other bonds issued under the Authorization includes the following elements, which were approved by the Board of the District for financing with such proceeds:

Project List

Bond proceeds will be expended to modernize, replace, renovate, expand, construct, acquire, equip, furnish and otherwise improve the classrooms and school facilities of the District, including those located at the following locations:

Elementary Schools			
Ayers	Bancroft	Bel Air	Cambridge
Cornerstone	Delta View	Eagle Peak	El Monte
Fair Oaks	Gregory Gardens	Hidden Valley	Highlands
Holbrook	Meadow Homes	Monte Gardens	Mt. Diablo
Mountain View	Pleasant Hill	Rio Vista	Sequoia
Shore Acres	Silverwood	Strandwood	Sun Terrace
Sunrise	Valhalla	Valle Verde	Walnut Acres
Westwood	Woodside	Wren Avenue	Ygnacio Valley
Middle Schools			
Diablo View	El Dorado	Foothill	Glenbrook
Oak Grove	Pine Hollow	Pleasant Hill	Riverview
Sequoia	Valley View		
High Schools			
Clayton Valley	College Park	Concord	Mt. Diablo
Northgate	Ygnacio Valley		

Mt. Diablo Adult Education	
Loma Vista Adult Center	Pleasant Hill Education Center

Alternative Schools and Programs			
Alliance Program	Cares After School Program	Coordinator Care Team	Crossroads NSHS
Diablo Day	Foster Youth Services	Gateway NSHS	Homeless
Home and Hospital	HOPE	Horizons: CIS	Horizons: Home Study
Nueva Vista NSHS	Robert R. Shearer Preschool	Shadelands	Summer School
Summit NSHS	Transitional Learning	Work Experience	

The specific school facilities projects to be funded include, but shall not be limited to:

School Renovation, Repair and Upgrade Projects

- Renovate, repair, expand and/or upgrade the interior and/or exterior of existing classrooms and school facilities throughout the District, including infrastructure and landscaping improvements.
- Repair outdated temporary portable classrooms or replace with permanent classrooms.
- Repair and upgrade roofs, ceilings, walls, and floors.
- Replace existing wiring systems to meet current electrical and accessibility codes and increased capacity.
- Repair/replace existing plumbing systems to meet current codes, including drainage.
- Install additional and/or replace outdated heating, ventilation, air conditioning systems, and lighting systems with building code compliant systems.
- Provide enhanced computer labs.
- Upgrade, expand, repair and/or equip science labs, multi-purpose rooms, food service facilities, auditoriums, libraries, and other school facilities.

- Classroom interiors will receive improvements such as new paint, carpet/vinyl tile/asbestos abatement, white markerboards, tackable surfaces, increased secure storage capacity for instructional materials and equipment, etc.
- Replace existing window systems with energy efficient systems.

School Site Health, Safety and Security Projects

- Upgrade or replace buildings that do not meet current minimum building code standards.
- Remove all dry rot and repair damaged caused by dry rot.
- Replace/upgrade existing signage, bells, clocks and fire protection systems.
- Install, repair, upgrade, or replace safety and security systems for students and staff, including new fencing around the schools.
- Install energy efficient systems including “green” building projects and sustainable building practices to promote energy-efficiency (e.g., solar, high performance lighting, electrical systems panel, HVAC etc.).
- Upgrade and repair play areas and play fields.
- Replace existing wooden doors and hardware.
- Upgrade, repair, or expand school site parking, driveways, walkways, ground, and utilities.
- Abate and remove hazardous materials identified prior or during construction.
- Repair, replace and/or upgrade paved surfaces, turf, and other grounds to eliminate safety hazards and improve outside instructional areas.

District-Wide Wiring and Technology for Instructional Support and Effective Learning Environment Projects

- Upgrade and expand campus wide-intercom and wireless systems, and telecommunications, internet, and network connections.
- Upgrade media, audio/visual equipment, and other technology for effective learning environments, including smart boards and “distance learning”.
- Upgrade and replace classroom equipment and instructional aides.

Construction Projects at School Sites

- Construct additional classrooms/classroom buildings, restrooms and other related school facilities throughout the District.

Miscellaneous Projects

- Address unforeseen conditions revealed by construction/modernization (such as plumbing or gas line breaks, dry rot, seismic, structural, etc.).

- Other improvements required to comply with existing building codes, including the Field Act, and access requirements of the Americans with Disabilities Act.

- Necessary site preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines (such as gas lines, water lines, electrical lines, sewer lines, and communication lines), trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property.

- Rental or construction of storage facilities and other space on an interim basis, as needed to accommodate construction materials, equipment, and personnel, and interim classrooms (including relocatables) for students and school functions or other storage for classroom materials displaced during construction.

- Acquisition of any of the facilities on the Project List through temporary lease or lease-purchase arrangements, or execute purchase option under leases for any of these authorized facilities.
- For any project involving rehabilitation or renovation of a building or the major portion of a building, the District shall be authorized to proceed with new replacement construction instead, if the Board of Trustees determines that replacement and new construction is more economically practical than rehabilitation and renovation, considering the building's age, condition, expected remaining life, and other relevant factors.
- Acquisition of any of the facilities on the Bond Project List through temporary lease or lease-purchase arrangements, or execute purchase option under leases for any of these authorized facilities.
- Acquisition of leasehold interest on facilities currently subject to lease.
- All work necessary and incidental to specific projects described above, including demolition of existing structures.

The listed building repair and rehabilitation projects, including upgrades will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, program management, staff training expenses and a customary contingency, and escalation for unforeseen design and construction costs. In addition to the listed repair and construction projects stated above, the Priority School Projects List also includes the payment of the costs of preparation of all facility planning, facility assessment reviews, environmental studies, construction documentation, inspection and permit fees, and temporary housing of dislocated District activities caused by bond projects. The allocation of bond proceeds may be affected by the District's receipt of State matching funds and the final costs of each project. In the absence of State matching funds, which the District will aggressively pursue to reduce the District's share of the costs of the projects, the District may not be able to complete some of the projects listed above. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be completed. Demolition of existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating more enhanced and operationally efficient campuses. Necessary site preparation/restoration, landscaping, may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, redirecting fire access, and acquiring any necessary easements, licenses, or rights of way to the property.

Projects Intended to be Financed with the Bonds

While the District may lawfully use the proceeds of the Bonds on any project on the Project List, the District intends to apply the net proceeds of the Series A Bonds, with the exception of a portion of the proceeds of the Series A Bond maturing on August 1, 2030, to design and install technology infrastructure and hardware throughout the District, design and program heating, ventilation and air conditioning facilities as well as the modernization of certain outdated school facilities including classrooms, technology enhancements and science laboratory renovations, and to prepay certain outstanding lease purchase obligations as described below.

1998 Certificates. Upon the issuance of the Bonds, the District will deposit into the Prepayment Account held by the Wells Fargo Bank National Association, as trustee (the "1998 Trustee") for the District's 1998 Refunding Certificates of Participation (Refunding and Capital Projects) (the "1998 Certificates") established under the Trust Agreement, dated as of April 1, 1998 (the "1998 Trust Agreement"), by and among the District, the 1998 Trustee, and the Mt. Diablo Unified School District Education Facilities Financing Corporation (the "Corporation"), a portion of the net proceeds of the Series A Bond maturing on August 1, 2030 in an amount sufficient (together with certain other moneys from the funds and accounts related to the 1998 Certificates) to prepay all of the outstanding principal amount of the 1998 Certificates on November 1, 2010 (the "1998 COPS Prepayment Date"), at a price of par plus accrued interest.

The sufficiency of amounts deposited into the 1998 Prepayment Fund together with the investment earnings thereon to effect the foregoing prepayment will be verified by Causey, Demgen & Moore, Inc., certified public accountants. See the caption "ESCROW VERIFICATION" below.

2006 Lease Purchase Agreement. A portion of the net proceeds of the Series A Bond maturing on August 1, 2030 will be applied on the Closing Date to prepay in full the District's outstanding Lease/Purchase Agreement, dated September 1, 2006, by and between the District and the Corporation, which is currently outstanding in the aggregate principal amount of $4,782,823.58.

2007 Lease Purchase Agreement. A portion of the net proceeds of the Series A Bond maturing on August 1, 2030 will be applied on the Closing Date to prepay in full the District's outstanding Lease/Purchase Agreement, dated September 1, 2007, by and between the District and the Corporation, which is currently outstanding in the aggregate principal amount of $3,312,120.71.

The District intends to apply the proceeds of the Series B Bonds to complete certain solar energy projects at 46 sites within the District as approved by the IRS pursuant to the Allocations. SEE "INTRODUCTION- Designation of Series B Bonds as New Clean Renewable Energy Bonds" herein.

In addition, the District intends to deposit a portion of the proceeds of the Series A Bonds into the Debt Service Fund to pay interest on the Bonds through February 1, 2011.

TAX BASE FOR REPAYMENT OF THE BONDS

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

A State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table presents the historical assessed valuation in the District for the last ten fiscal years. The District's total assessed valuation is $29,906,094,881 in fiscal year 2010-11.

MT. DIABLO UNIFIED SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2000-01 THROUGH 2010-11

	Local Secured	Utility	Unsecured	Total
2000-01	$18,052,446,343	$4,512,934	$810,049,196	$18,870,362,920
2001-02	19,501,805,860	15,111,986	899,543,508	20,416,461,174
2002-03	20,950,443,237[1]	14,591,990	942,041,048	21,892,484,285
2003-04	22,705,133,044	6,252,431	920,522,887	23,631,908,362
2004-05	24,434,456,724	6,489,435	868,334,641	25,309,280,800
2005-06	26,500,394,364	7,186,091	942,384,927	27,449,965,382
2006-07	29,196,571,252	6,300,577	951,192,569	30,154,064,398
2007-08	31,650,036,905	4,180,952	964,357,554	32,618,575,411
2008-09	31,738,225,590	3,832,225	1,062,848,164	32,804,905,979
2009-10	29,639,009,735	3,832,225	1,051,293,746	30,694,135,706
2010-11	28,924,776,672	7,279,811	974,038,398	29,906,094,881

Source: California Municipal Statistics, Inc. for fiscal years 2000-01 through 2009-10 and the County for fiscal year 2010-11.

The table below presents the 2009-10 assessed valuation within the District by jurisdiction.

MT. DIABLO UNIFIED SCHOOL DISTRICT
2009-10 ASSESSED VALUATION BY JURISDICTION[1]

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Clayton	$ 1,700,431,727	5.54%	$ 1,700,431,727	100.00%
City of Concord	12,417,810,378	40.46	12,417,810,378	100.00
City of Martinez	1,599,841,090	5.21	4,390,035,171	36.44
City of Pittsburg	789,984,772	2.57	5,599,720,829	14.11
City of Pleasant Hill	4,560,272,641	14.86	4,560,272,641	100.00
City of Walnut Creek	5,233,202,555	17.05	12,710,182,474	41.17
Unincorp. Contra Costa County	4,392,592,543	14.31	30,230,829,616	14.53
Total Contra Costa County	$30,694,135,706	100.00%	$146,199,638,896	20.99

[1] Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

The table below presents the 2009-10 assessed valuation within the District by land use.

MT. DIABLO UNIFIED SCHOOL DISTRICT
2009-10 Assessed Valuation and Parcels by Land Use

	2009-10 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% Total
Non-Residential:						
Agricultural	$ 195,559,905	0.66%	303	0.36%	296	0.36%
Commercial/Office	4,174,396,428	14.08	1,405	1.67	1,390	1.71
Vacant Commercial	74,081,742	0.25	131	0.16	95	0.12
Industrial	2,460,238,736	8.30	490	0.58	486	0.60
Vacant Industrial	57,113,729	0.19	63	0.07	62	0.08
Recreational	50,090,823	0.17	58	0.07	58	0.07
Government/Social/Institutional	126,412,620	0.43	1,499	1.78	745	0.92
Miscellaneous	80,018,264	0.27	1,386	1.65	1,151	1.42
Subtotal Non-Residential	$7,217,912,247	24.35%	5,335	6.35%	4,283	5.27%
Residential:						
Single Family Residence	$17,619,464,445	59.45%	59,552	70.83%	59,515	73.17%
Condominium/Townhouse	3,032,621,071	10.23	15,337	18.24	15,343	18.86
Rural Residential	130,299,212	0.44	224	0.27	224	0.28
Mobile Home	14,192,300	0.05	751	0.89	751	0.92
2-4 Residential Units	254,828,230	0.86	729	0.87	729	0.90
5+ Residential Units/Apartments	1,245,683,299	4.20	502	0.60	495	0.61
Vacant Residential	124,008,931	0.42	1,646	1.96	0	0.00
Subtotal Residential	$22,421,097,488	75.65%	78,741	93.65%	77,057	94.73%
Total	$29,639,009,735	100.00%	84,076	100.00%	81,340	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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MT. DIABLO UNIFIED SCHOOL DISTRICT
2009-10 Largest Total Secured Taxpayers

	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	10.33%

(1) 2009-10 total secured assessed valuation: $30,694,135,706.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (2-002) for fiscal years 2005-06 through 2009-10:

MT. DIABLO UNIFIED SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 2-002)

	2005-06	2006-07	2007-08	2008-09	2009-10
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Bay Area Rapid Transit District	.0048	.0050	.0076	.0090	.0057
East Bay Regional Park District	.0057	.0085	.0080	.0100	.0108
Mount Diablo Unified School District	.0418	.0446	.0424	.0455	.0493
Contra Costa Community College District	.0047	.0043	.0108	.0066	.0126
Total All Property Tax Rate	$1.0570	$1.0624	$1.0688	$1.0711	$1.0784
Contra Costa Water District (Land Only)	.0050	.0043	.0039	.0041	.0048

Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County, as of the 1950-51 fiscal year, approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The delinquency rate for *ad valorem* property taxes exceeded 3% within the District in fiscal years 2007-08 and 2008-09 but the County's Teeter Plan has not been suspended. The District knows of no petition for the discontinuance of the Teeter Plan now pending in the County.

Secured Tax Charges and Delinquencies

The following table sets forth the secured tax charges and delinquencies within the District from fiscal Year 2005-06 through fiscal Year 2008-09. Because the County participates in the Teeter Plan, the District does not realize property tax delinquencies but is paid 100% of property taxes levied in the District, regardless of delinquencies. See " - The Teeter Plan" above.

MT. DIABLO UNIFIED SCHOOL DISTRICT
SECURED TAX CHARGES AND DELINQUENCIES
FISCAL YEARS 2005-06 THROUGH 2008-09

	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent 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

[1] Bond debt service levy only.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of July 1, 2010:

MT. DIABLO UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2009-10 Assessed Valuation:	$30,694,135,706
Redevelopment Incremental Valuation:	(3,781,708,829)
Adjusted Assessed Valuation:	$26,912,426,877

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/10	
Bay Area Rapid Transit District	6.163%	$ 25,884,600	
Contra Costa Community College District	20.852	51,253,173	
Mount Diablo Unified School District	**100.000**	**204,105,000**	(1)
Mount Diablo Unified School District Community Facilities District No. 1	100.000	60,080,000	
East Bay Regional Park District	9.391	18,479,140	
Pleasant Hill Recreation and Park District	92.345	18,469,000	
City of Martinez	36.443	5,466,450	
City of Pittsburg Community Facilities District No. 2005-2	100.000	11,410,000	
City of Pleasant Hill Downtown Community Facilities District	100.000	13,285,000	
City of Clayton Community Facilities District Nos. 1990-1 and 1990-2	100.000	5,111,000	
Contra Costa County Community Facilities District No. 1998-1	100.000	2,795,000	
1915 Act Bonds (Estimated)	Various	13,612,338	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$429,950,701	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	20.775%	$ 56,181,833	
Contra Costa County Pension Obligations	20.775	90,435,653	
Contra Costa Community College District Certificates of Participation	20.852	206,435	
Mount Diablo Unified School District Certificates of Participation	**100.000**	**5,440,000**	
City of Concord General Fund and Judgment Obligations	100.000	28,705,000	
City of Pleasant Hill General Fund Obligations	100.000	4,885,000	
Other City General Fund Obligations	Various	6,315,299	
Pleasant Hill Recreation and Park District Certificates of Participation	92.345	2,280,922	
Contra Costa Fire Protection District Pension Obligations	44.427	53,392,369	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$247,842,511	
Less: Contra Costa County Obligations supported by revenue funds		(26,189,452)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$221,653,059	
GROSS COMBINED TOTAL DEBT		$677,793,212	(2)
NET COMBINED TOTAL DEBT		$651,603,760	

Ratios to 2009-10 Assessed Valuation:

Direct Debt ($264,185,000) (3)	**0.86%**
Total Direct and Overlapping Tax and Assessment Debt	1.40%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($269,625,000) (3)	**1.00%**
Gross Combined Total Debt	2.52%
Net Combined Total Debt	2.42%

(1) Excludes the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
(3) Includes Community Facilities District No. 1.

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

District Investments

The Contra Costa County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

The proceeds from the sale of the Bonds (net of premium, if any) will be deposited in the County treasury to the credit of the Building Fund established under the Resolution (the "Building Fund"). Any premium or accrued interest received by the County from the sale of the Bonds will be deposited in the Debt Service Fund. Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Bonds were approved. Moneys in the Debt Service Fund may only be applied to make payments of interest, principal, Maturity Value and premium, if any, on bonds of the District.

All funds held in the Building Fund and the Debt Service Fund will be invested by the Treasurer at the direction of the District. All funds held in the Building Fund by the Treasurer under the Resolution will be invested pursuant to applicable law and the investment policy of the County, unless otherwise directed in writing by the District. At the written direction of the District, all or any portion of the Building Fund may be invested in the Local Agency Investment Fund in the treasury of the State, and all or any portion of the Building Fund may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds, provided that the Treasurer will be a signatory to any such investment agreement.

For a further discussion of the Pooled Investment Fund, see the caption "THE CONTRA COSTA COUNTY TREASURY POOL" herein.

Financial Statements of the District

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 State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. The District's audited financial statements for the 2008-09 fiscal year is attached hereto as APPENDIX C. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District's audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 1936 Carlotta Drive, Concord, California 94519, telephone (925) 682-8000. The District may impose a charge for copying, mailing and handling.

Revenues

Revenue limit sources provided approximately 63% of total revenues of the District for 2008-09 and were budgeted to provide approximately 63% of total revenues of the District for 2009-10. Federal revenues represented approximately 9.5% of total revenues of the District for 2008-09 and were budgeted to provide approximately 7.9% of total revenues of the District for 2009-10. State revenues represented approximately 24% of total revenues of the District for 2008-09 and were budgeted to provide approximately 26% of total revenues of the District for 2009-10. Local revenues represented approximately 3.4% of total revenues of the District for 2008-09 and were budgeted to provide approximately 3.2% of total revenues of the District for 2009-10.

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General Fund

The following table describes the District's audited financial results for the fiscal years 2006-07, 2007-08 and 2008-09.

MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2006-07, 2007-08 and 2008-09

	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
REVENUES			
Revenue Limit Sources	$192,760,661	$195,343,584	$189,408,555
Federal Revenues	17,109,636	15,661,622	28,669,803
Other State Revenues	71,324,192	72,174,046	71,881,127
Other Local Revenues	13,614,529	11,284,684	10,126,725
TOTAL REVENUES	$294,809,018	$294,463,936	$300,086,210
EXPENDITURES			
Certificated salaries	$138,048,012	$139,432,821	$136,088,465
Classified salaries	44,260,173	45,670,549	45,559,089
Employee benefits	48,253,241	50,831,040	52,315,375
Books and supplies	15,547,678	15,443,407	10,452,524
Services and other operating expenditures	36,607,043	39,575,817	38,009,866
Capital outlay	6,777,532	5,900,302	2,229,7886
Direct support/indirect costs	--	1,179,633	(612,867)
Other outgo	1,310,925	275,431	3,021,460
Debt service			
Principal retirement	40,900	287,706	--
Interest	358	275,431	--
TOTAL EXPENDITURES	$290,845,862	$298,596,706	$287,063,698
Excess (Deficiency) of Revenues Over Expenditures	$ 3,963,156	$ 4,132,770	$ 13,022,512
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	$ 2,173,499	$ 2,271,967	$ 1,758,835
Operating Transfers Out	(2,203,780)	(2,105,819)	(1,294,106)
Proceeds from issuance of long-term liabilities	6,015,131	3,900,000	--
TOTAL OTHER FINANCING SOURCES (USES)	$ 5,984,006	$ 4,066,148	$ 464,729
Net Change in Fund Balances	9,948,006	(66,622)	13,487,241
Fund Balances at Beginning of Year	$ 23,848,500	$ 33,796,506	$ 33,729,884
Fund Balances at End of Year	$ 33,796,506	$ 33,729,884	$ 47,217,125

Source: The District.

MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND
Adopted Budget and Second Interim Report for Fiscal Year 2009-10
and Adopted Budget for Fiscal Year 2010-11

	2009-10 Adopted Budget	2009-10 Second Interim Report	2010-11 Adopted Budget
REVENUES			
Revenue Limit Sources	$174,716,743	$165,266,741	$163,258,111
Federal Revenues	22,746,451	32,117,791	20,508,626
Other State Revenues	60,890,740	69,849,363	67,729,805
Other Local Revenues	8,454,135	12,009,815	8,304,326
TOTAL REVENUES	$266,808,069	$279,243,710	$259,800,868
EXPENDITURES			
Certificated Salaries	$ 13,663,118	$127,868,394	$124,469,721
Classified Salaries	40,242,768	41,530,371	39,295,380
Employee Benefits	53,7007,432	54,918,730	55,621,204
Books and Supplies	12,773,291	31,616,182	12,326,799
Services and Other Operating Expenditures	33,963,449	37,346,362	34,654,790
Capital Outlay	192,720	451,540	302,707
Other Outgo (excluding Transfers of Indirect Costs)	3,434,397	3,434,397	2,487,065
Other Outgo – Transfers of Indirect Costs	(764,223)	(794,564)	(740,508)
TOTAL EXPENDITURES	$267,212,953	$296,371,413	$268,417,158
Excess (Deficiency) of Revenues Over Expenditures	$ (404,884)	$ (17,127,704)	$ (8,616,290)
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	0	0	0
Operating Transfers Out	6,409,846	5,452,658	3,486,037
TOTAL OTHER FINANCING SOURCES (USES)	$ (6,409,846)	$ (5,452,658)	$ (3,486,037)
Net Change in Fund Balances	(6,814,730)	(22,580,362)	(12,102,327)
Fund Balances at Beginning of Year	$ 47,217,126	$ 47,217,126	$ 20,618,220
Fund Balances at End of Year	$ 40,402,396)	$ 24,636,764	$ 8,515,894

Source: The District.

Retirement System

The District participates in the State of California Teachers Retirement System ("STRS") which provides retirement benefits to certificated personnel. The District contributed $10,972,015 to STRS for fiscal year 2007-08, $10,954,293 for fiscal year 2008-09 and $10,412,508 for fiscal year 2009-10. The District also participates in the State of California Public Employees' Retirement System ("PERS") which provides retirement benefits to classified personnel. The District contributed $5,499,056 to PERS for fiscal year 2007-08, $4,386,622 for fiscal year 2008-09 and $4,359,337 for fiscal year 2009-10.

Both PERS and STRS are operated on a statewide basis and, based on available information, STRS and PERS both have unfunded liabilities. PERS may issue certain pension obligation bonds to reach funded status. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of unfunded liabilities will be in the future or the amount of the contributions which the District may be required to make.

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 required 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. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") was effective for the District for the fiscal year ending June 30, 2008.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District.

The District provides Health & Welfare Benefits to qualified eligible certificated employees and their eligible dependents who retire from the District on or after attaining age 55 with at 5 years of participation in STRS. The District provides Health & Welfare Benefits to qualified eligible classified employees who retire from the District on or after attaining age 55 with at least 5 years of participation in PERS and 5 years of service to the District. The District provides Health & Welfare Benefits to qualified eligible management and confidential employees and their eligible dependents who retire from the District on or after attaining age 55 with at least 5 years of participation in STRS or PERS. On May 1, 2008, 807 retirees met these qualifications. The District pays the medical premiums incurred by qualified retirees through age 64 (or eligibility for Medical for certain classified employees) and requires retirees to contribute to the cost of coverage based on the active employee contributions.

For certificated employees who retire prior to age 64 and management and confidential employees who retire prior to age 63, Health & Welfare Benefits include medical coverage for one dependant and dental coverage for all dependants (Effective in 2011, management and confidential employees who retire prior to age 63 will receive employee-only medical benefits). For certificated employees who retire at age 64, all classified employees and management and confidential employees who retire at age 64, Health & Welfare Benefits include employee only medical coverage and no dental coverage. Spouse and dependent coverage ceases upon death of the retiree.

Expenditures for post-employment healthcare benefits are recognized as the premiums are paid. During the year ended June 30, 2009, expenditures of $3,882,275 were recognized for post-employment healthcare benefits. The District has completed an actuarial study of its Health and Welfare Benefits dated June 3, 2008. Based on that study, the District's Annual Required Contribution is $8,043,769 and its unfunded actuarial accrued liability is $71,000,000.

Certain Existing Obligations

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

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009	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 obligations	4,248,777	4,373,933	--	8,622,710	--
Compensated absences	4,203,269	--	644,747	3,558,522	--
Total	$315,295,084	$4,373,933	$6,806,721	$312,862,296	$9,883,443

Source: The District

General Obligation Bonds

The District received authorization from the voters within the District to issue $250,000,000 aggregate principal amount of general obligation bonds pursuant to an authorization on March 5, 2002 (the "2002 Authorization"). On June 20, 2002, the District issued $69,400,000 principal amount of general obligation bonds under the 2002 Authorization; on June 10, 2004, the District issued $121,000,000 principal amount of general obligation bonds under the 2002 Authorization and on May 11, 2006, the District issued $59,600,000 principal amount of general obligation bonds under the 2002 Authorization. No further general obligation bonds remain to be issued under the 2002 Authorization. Subsequent to issuance of the Bonds, $238,003,525 of general obligation bonds remain to be issued under the Authorization.

Capital Leases

The District leases computer equipment, copy machines and portable classrooms under various agreements. Future minimum lease payments are as follows under capital leases:

Year Ended June 30	**Lease Payments**
2010	$926,780
2011	926,780
2012	926,780
2013	926,780
2014	926,780
2015-2019	4,633,900
2020-2023	3,143,983
Total Minimum Lease Payments	12,411,783
Less Amount Representing Interest	(3,272,601)
Net Minimum Lease Payments	$ 9,139,182

Source: The District

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Certificates of Participation

In 1998, the District executed and delivered $7,760,000 aggregate principal amount of Refunding Certificates of Participation (Refunding and Capital Projects) (the "1998 Certificates") which are currently outstanding in the aggregate principal amount of $5,440,000. The District intends to apply a portion of the proceeds of the Bonds to prepay the 1998 Certificates on November 1, 2010.

The remaining lease payments with respect to the 1998 Certificates assuming no prepayment are as follows:

Date	Principal	Interest	Total
December 1, 2010	$240,000	$134,238.75	$374,238.75
June 1, 2011	--	128,718.75	128,718.75
December 1, 2011	255,000	128,718.75	383,718.75
June 1, 2012	--	122,726.25	122,726.25
December 1, 2012	265,000	122,726.25	387,726.25
June 1, 2013	--	116,432.50	116,432.50
December 1, 2013	275,000	116,432.50	391,432.50
June 1, 2014	--	109,832.50	109,832.50
December 1, 2014	285,000	109,832.50	394,832.50
June 1, 2015	--	102,850.00	102,850.00
December 1, 2015	300,000	102,850.00	402,850.00
June 1, 2016	--	95,500.00	95,500.00
December 1, 2016	310,000	95,500.00	405,500.00
June 1, 2017	--	87,750.00	87,750.00
December 1, 2017	330,000	87,750.00	417,750.00
June 1, 2018	--	79,500.00	79,500.00
December 1, 2018	340,000	79,500.00	419,500.00
June 1, 2019	--	71,000.00	71,000.00
December 1, 2019	355,000	71,000.00	426,000.00
June 1, 2020	--	62,125.00	62,125.00
December 1, 2020	370,000	62,125.00	432,125.00
June 1, 2021	--	52,875.00	52,875.00
December 1, 2021	385,000	52,875.00	437,875.00
June 1, 2022	--	43,250.00	43,250.00
December 1, 2022	405,000	43,250.00	448,250.00
June 1, 2023	--	33,125.00	33,125.00
December 1, 2023	420,000	33,125.00	453,125.00
June 1, 2024	--	22,625.00	22,625.00
December 1, 2024	445,000	22,625.00	467,625.00
June 1, 2025	--	11,500.00	11,500.00
December 1, 2025	460,000	11,500.00	471,500.00
Total	$5,440,000	$2,413,858.75	$7,853,858.75

Tax and Revenue Anticipation Note ("TRAN")

In March 18, 2010, the District issued a tax and revenue anticipation note ("TRAN") in the principal amount of $12,000,000. The TRAN matures on October 1, 2010 and bears interest at a rate of 2.00%.

MT. DIABLO UNIFIED SCHOOL DISTRICT

District Organization

The District, a unified school district of the State, was established on July 1, 1949, and is located in the northwestern portion of Contra Costa County. The District covers approximately 150 square miles including the cities of Concord, Pleasant Hill and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated areas of the County, including Pacheco and Bay Point and is located approximately 30 miles northeast of San Francisco. The District provides kindergarten through twelfth grade education services in thirty-one elementary schools, ten middle schools, six high schools and twenty alternative schools and programs, and provides adult education in two adult education centers. The District's estimated average daily attendance for fiscal year 2010-11 is 32,343.60 students, and the District has a 2010-11 assessed valuation of $29,906,094,881.

The District is governed by a Board of Education (the "Board"). The Board consists of five members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board Members or by a special election. The years in which the current terms for each member of the Board expire are set forth below:

BOARD OF EDUCATION

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

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Mt. Diablo Unified School District, 1936 Carlotta Drive, Concord, California 94519, Attention: Chief Financial Officer. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of the District.

Name	Title
Steven Lawrence, Ph.D.	Superintendent
Rose Lock	Assistant Superintendent of Student Achievement and School Support
Mildred Browne, Ed.D.	Assistant Superintendent, Special Education and Student Services
Julie Braun-Martin	Assistant Superintendent, Personnel Services
Gregory J. Rolen	General Counsel
Bryan Richards	Chief Financial Officer

Steven Lawrence, Ph.D. Superintendent Lawrence has been at the District since February 1, 2010. Prior to joining the District, Dr. Lawrence worked at Washington Unified School District where he served as Superintendent from July, 2006 through January, 2010. He has a total of 22 years of education experience. Dr. Lawrence earned a Bachelor of Arts in Applied Mathematics and Economics from Brown University and a Doctorate in Philosophy from University of California, Los Angeles.

District Employees

The District employs approximately 1,806.94 full-time equivalent certificated academic professionals as well as 961.44 full-time equivalent classified employees.

The certificated employees, with the exception of school psychologists, of the District have assigned the Mount Diablo Education Association ("MDEA") as their exclusive bargaining agent. The contract between the District and MDEA expired on June 30, 2010. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

The school psychologists of the District have assigned the Mount Diablo School Psychologists Association ("MDSPA") as their exclusive bargaining agent. The contract between the District and MDSPA expired on June 30, 2010. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

The classified employees in the maintenance, operations and transportation departments of the District have assigned Public Employees Union, Local #1, Maintenance & Operations Unit ("Local #1 M&O") as their exclusive bargaining agent and the contract between the District and Local #1 M&O expired on June 30, 2010. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

The classified employees in the clerical, secretarial and technical positions have assigned Public Employees Union, Local #1, Clerical, Secretarial & Technical Unit ("Local #1 CST") as their exclusive bargaining agent and the contract between the District and Local #1 CST expired on June 30, 2010. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

The classified employees in instructional aide and campus supervisor positions have assigned California School Employees Association ("CSEA") as their exclusive bargaining agent and the contract between MDUSD and CSEA expired on June 30, 2010. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

Insurance

The District is a member of CSAC Excess Insurance Authority ("CSAC-EIA"), Schools Excess Liability Fund ("SELF") and the Schools' Self Insurance of Contra Costa County ("SSICCC), each a joint powers authority that provides various types of insurance to its members as requested. 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's liability claims over $900,000 are covered by SELF. Property claims in excess of $100,000 are covered by a commercial insurance policy up to $149,000,000.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated unified school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Growth

The District has experienced population and student enrollment decline in the past several years. The table below sets forth the enrollment for Average Daily Attendance ("ADA") for the District for the Fiscal Years ending 2007 through 2010 and a projection of Fiscal Year ending June 30, 2011.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Enrollment and Average Daily Attendance
Fiscal Years 2006-07 through 2010- 11

Fiscal Year	Enrollment	ADA	Change in ADA From Prior Year	Revenue Limit Per A.D.A
2006-07	35,685	33,556.78	-730.63	$5,527.67
2007-08	35,355	33,355.21	-201.57	5,780.02
2008-09	34,953	33,208.96	-146.25	5,629.83
2009-10(1)	34,200	32,658.38	-550.5	4,947.49
2010-11(2)	33,870	32,343.60	-314.78	4,936.51

(1) Estimated.
(2) Projected.
Source: The District.

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Population

The population of the Cities of Concord, Clayton and Pleasant Hill, the County and the State for the most recent five calendar years and the current year is set forth in the following table.

POPULATION OF THE CITIES OF CONCORD, CLAYTON AND PLEASANT HILL, THE COUNTY AND STATE

Year[(1)]	City of Concord	City of Clayton	City of Pleasant Hill	Contra Costa County	State of California
2005	124,578	10,906	33,408	1,016,407	36,899,392
2006	123,380	10,788	33,046	1,025,509	37,274,618
2007	122,923	10,728	32,957	1,035,322	37,674,415
2008	123,700	10,778	33,357	1,048,242	38,134,496
2009	124,599	10,864	33,547	1,060,435	38,487,889
2010[(1)]	125,864	10,962	33,844	1,073,055	38,648,090

(1) Population shown as of July 1 for calendar years 2005 through 2009 and as of January 1 for calendar year 2010.
Source: California State Department of Finance.

Developer Fees

The District receives Developer Fees per square foot pursuant to Education Code Section 17620. Current Developer Fees are $2.97 per square foot for residential housing and $0.47 per square foot for commercial or industrial development.

Fiscal Year	Developer Fees Collected
2006-07	$3,412,466
2007-08	1,685,522
2008-09	867,773
2009-10	645,453
2010-11[(1)]	46,006

(1) Projected.
Source: The District.

State Funding of Education

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, most school districts in the State receive a significant portion of their funding from State appropriations.

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit (as described below) per unit of average daily attendance ("ADA"). Generally, such apportionments will amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (*i.e.*, unified, high school or elementary). State law also provides for State support of specific school-related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributes the State aid.

The calculation of the amount of State aid a school district is entitled to receive each year is a five step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year, whichever is greater. Fourth, revenue limit add-ons are calculated for each school district if such school district qualifies for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit each school district is entitled to for the current year. See "District Growth" for the District's ADA record.

State Budget

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriters, Bond and Disclosure Counsel nor the owners of the Certificates to provide State budget information to the District or the owners of the Certificates. Although they believe the State sources of information listed above are reliable, none of the District, the County, Bond and Disclosure Counsel nor the Underwriters assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

Proposed 2010-11 State Budget. On January 8, 2010, Governor Schwarzenegger released his Proposed 2010-11 State Budget (the "Proposed 2010-11 Budget") which projects a budget gap of approximately $19.9 billion in fiscal year 2010-11 (including a deficit of $6.6 billion carried forward from the end of fiscal year 2009-10, assuming no corrective action is taken with respect thereto). The deficit reflects $3.4 billion in lower revenues, court decisions expected to cost $4.9 billion, $2.3 billion anticipated in lost savings, $1.4 billion in higher program costs and the elimination of the $1 billion reserve. The Proposed 2010-11 Budget, while fully funding the Proposition 98 guarantee, incorporates further reductions to many programs, including $8.5 billion in cuts commencing in the 2009-10 fiscal year (including $2.9 billion in health and human services cuts, $1.6 billion in employee compensation changes, and $1.2 billion in reductions in prison funding). In addition, the Proposed 2010-11 Budget includes $4.5 billion in fund shifts and new revenues, including a transportation funding swap and renewing the T-ridge off-shore drilling proposal, and incorporates a "trigger list" of cuts for Federal funding amounts that are not funded as anticipated by the Proposed 2010-11 Budget. While the Proposed 2010-11 Budget recognizes that the State is slowly emerging from the recession, it is predicated on economic growth being very modest and the likely persistence of high unemployment.

Proposition 98 spending set forth in the Proposed 2010-11 Budget for K-12 schools for fiscal year 2010-11 remains relatively flat at close to $43.9 billion, with the share from the State's General Fund increasing by 3.8% whereas the share covered by property tax revenues would decrease by 9.7%, resulting in a slight decrease of approximately $108 million from the prior fiscal year. While the slumping housing market contributes to the drop in local property tax revenues, the bulk of the decline is attributable to the one-time $850 million contribution from redevelopment agencies in 2009-10 (required as part of the Proposed 2009-10 Budget). While, for fiscal years 2009-10 and 2010-11, the Governor is funding at the constitutionally required minimum level, known as the "minimum guarantee," the Proposed 2010-11 Budget recognizes a lower 2008-09 minimum guarantee ($46.8 billion) and assumes the payment of $1.3 billion in maintenance factor in 2008-09, and also delays the start of the remaining maintenance factor payments until 2012-13. In addition, the elimination of the sales tax on fuels reduces State General Fund revenues and, therefore, also the minimum guarantee in fiscal year 2010-11.

Major additional elements of the Proposed 2010-11 Budget pertaining to K-12 education include the following:

Revenue Limit Funding. A reduction of $1.5 billion to K-12 general purpose or revenue limit funding by requiring school districts to spend less on central administration, consolidating certain county office of education functions, and removing restrictions on the contracting out of non-instructional services.

Cal-WORKS. Tightened eligibility for Cal-WORKs Stage 3 child care and reduced reimbursement rates for child care vouchers which results in a combined savings of $200 million.

Mandates. An increase of $77 million to fund three K-12 mandates including a newly recognized mandate relating to behavior intervention plans for special education students.

Class Size Reduction. $340 million in savings from the K-3 Class Size Reduction program.

Flexibility Options. Elimination of seniority rules applicable to layoffs, assignments, transfers and hires and to priority for receiving substitute teaching assignments; and extending the layoff notification window.

LAO Overview of Proposed 2010-11 Budget. The LAO's Overview of the 2010-11 Budget (the "2010 LAO Overview") was released on January 12, 2010 and highlights the major components of the Proposed 2010-11 Budget, including considerations for the Legislature as it moves forward. The 2010 LAO Overview recognizes that, with billions of dollars of temporary budget solutions from fiscal year 2009-10 set to expire and the economy recovering slowly, the State once again faces an extremely severe budget problem. In November 2009, the LAO anticipated the size of the 2009-10 and 2010-11 budget deficit at $20.7 billion. The LAO believes the estimate set forth in the Proposed 2010-11 Budget is reasonable, but that the Governor's baseline estimates of both revenues and expenditures are somewhat more optimistic than the LAO's and that, due to the variety of lawsuits which threaten to expand the State's budget problems, to balance the 2010-11 State budget, the Legislature and the Governor eventually may have to address a budget problem a few billion dollars larger than the Proposed 2010-11 Budget identifies. The LAO acknowledges that the Proposed 2010-11 Budget aggressively seeks additional Federal funding related to health, social services, education, and prison programs and flexibility to reduce spending in several areas, including the In-Home Supportive Services program and

Proposition 98 school funding. Combined, these Federal relief requests total about $8 billion—around 40 percent of the Governor's proposed budget solutions. The LAO believes that while the odds seem favorable for some Federal relief sought by the administration, it believes that the likelihood of the federal government agreeing to all of the Governor's requests is almost non-existent. The LAO also believes that the Legislature must make very difficult choices affecting both State revenues and spending and that the State Legislature faces incredibly daunting challenges in balancing the 2010-11 State budget as many major expenditure reductions will require significant lead-time for departments to implement. Also, the LAO notes that the State Legislature must make difficult decisions suggested by the Governor's "trigger list" of cuts and revenue increases, even if the Legislature rejects some of the specifics of the Governor's list. As to the Governor's Proposition 98 plan included in the Proposed 2010-11 Budget, the LAO believes the plan contains several major risks, including the assumption that California will obtain $1 billion in one-time federal funding related to special education. On the other hand, the LAO recognizes that the Proposed 2010-11 Budget maintains flat year-to-year Proposition 98 funding within a difficult budget context while providing local education agencies with new forms of flexibility.

As to K-12 education, the LAO notes that the Proposed 2010-11 Budget assumes the Federal Department of Education will approve its request to be exempted from a maintenance of effort ("MOE") requirement included in ARRA. Under the Proposed 2010-11 Budget, K-12 funding is approximately $600 million below the required MOE level in 2010-11. Under ARRA provisions, the State may apply for a waiver from the MOE requirement and whether the waiver requirement will be met by the State for 2010-11 will depend on many factors that will remain in flux until a final 2010-11 budget package is adopted.

A complete copy of the 2010 LAO Overview is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriters make any representation as to the accuracy of the information provided therein.

May Revision to the Proposed 2010-11 State Budget. The May Revision to the Proposed 2010-11 Governor's Budget (the "2010-11 May Revision"), released by the Governor on May 14, 2010, addresses a General Fund budget shortfall of $19.1 billion, comprised of $7.7 billion for the 2009-10 fiscal year, $10.2 billion for the 2010-11 fiscal year, and a reserve of $1.2 billion, and includes overall General Fund expenditures for 2010-11 of approximately $0.5 billion above those included in the Proposed 2010-11 Budget. In addition, the 2010-11 May Revision assumes General Fund revenues $2.1 billion greater than those projected in the Proposed 2010-11 Governor's Budget as well as spending reductions and alternative funding solutions to address the projected budget shortfall. While the 2010-11 May Revision purports to fully fund K-12 education and California community colleges ("CCCs"), and fully funds the CalGrant program, it also proposes deep reductions and program eliminations, including child care programs, the CalWORKs program and reductions in funding for local mental health. Federal funds account for $3.4 billion in reduction from the Proposed 2010-11 Budget while spending decreases account for $12.4 billion in reductions.

With regard to K-12 funding, significant Non-General Fund workload adjustments to the Governor's Budget include a decrease of $31.3 million Federal Funds to the Department of Education (the "Department") to reflect the revised estimate of meals to be served through the Child Nutrition Program. Significant Non-General Fund adjustments set forth in the 2010-11 May Revision include an increase of $1.1 million Federal Funds to the Department for additional implementation costs associated with the California Longitudinal Pupil Achievement Data System (CALPADS); and an increase of $3.9 million Federal Funds and 2.8 personnel-years to the Department for the California Teacher Information Data System (CALTIDES). The 2010-11 May Revision includes $5 million to be applied to the CALPADS and CALTIDES systems for a total proposed 2010-11 Budget funding amount of $9.8 million and a decrease of $5.2 million in reimbursements from the Department of Social Services to the

Department for Adult Education and Regional Occupational Centers and Programs to train CalWORKs recipients to eliminate the CalWORKs program effective with the second quarter of the 2010-11 fiscal year. The 2010-11 May Revision includes $2.5 million of funding for this purpose.

For fiscal year 2010-11, the Proposition 98 funding level is $48.4 billion, of which $35 billion is sourced from the General Fund and reflects elimination of State funding for child care only and does not reduce funding for K-14 education. As a result, the Proposition 98 guarantee is rebenched downward by $1.4 billion. Additionally, the 2010-11 May Revision proposes a fund shift of $386 million from ongoing Proposition 98 funding to one-time reappropriations. Aside from rebenching the Proposition 98 guarantee to reflect the elimination of child care, K-14 funding in the 2010-11 May Revision remains largely unchanged from the Proposed 2010-11 Budget level. For 2009-10, the Proposition 98 funding level is $49.9 billion, of which $35.8 billion is General Fund. This Proposition 98 funding level is $52.4 million higher than the level included in the Proposed 2010-11 Budget. The significant decline in tax receipts in the second quarter of 2010 results in lowering the Proposition 98 guarantee in 2009-10. The 2010-11 May Revision does not propose reductions in the Current Year to the minimum guarantee level, therefore the funding level proposed by the Governor in 2009-10 is $502 million higher than the level required by Proposition 98.

For fiscal year 2010-11, the significant General Fund workload adjustments to the Governor's Proposed 2010-11 Budget for K-12 programs include the following:

- *Property Tax* - An increase of $447.5 million for school district and county office of education revenue limits to cover a reduction in the estimate of property tax revenue.

- *COLA* - A decrease of $4.1 million for school district and county office of education revenue limits as a result of a decrease in cost of living adjustment index.

- *Unemployment Insurance and CalPERS Offsets* - An increase of $71.7 million for school district and county office of education revenue limits as a result of increased unemployment insurance and CalPERS costs.

- *Program Cost Adjustments* - A decrease of $78.5 million for special education, Economic Impact Aid, Child Nutrition and the Charter School Categorical Block Grant to reflect anticipated savings in these programs.

- *State-Operated Programs* - An increase of $3.3 million to reflect educational program costs for the Department of Corrections and Rehabilitation's Juvenile Justice Division.

The significant General Fund policy adjustments to the Governor's Proposed 2010-11 Budget for K-12 programs are as follows:

- *School District Administration* - The 2010-11 May Revision does not propose to dictate specifically the level of reductions from school district administration. The Administration no longer proposes to require a specific level of savings to be achieved related to contracting out, instead proposing to provide local district administrators and school boards maximum flexibility to manage the level of funding provided in the 2010-11 May Revision.

- *County Offices of Education* - The 2010-11 May Revision includes an increase of $16.8 million to restore a portion of the $45 million reduction to County Office of Education revenue limits included in the Proposed 2010-11 Budget to make reductions proportional to those proposed for school districts.

- *Fund Shift for Economic Impact Aid* - A funding shift of $321.7 million to one-time reappropriations for the Economic Impact Aid Program to achieve Proposition 98 General Fund savings.

- *Testing and Accountability* - The 2010-11 May Revision proposes to restore the writing component of the fourth grade English/language arts California Standards Test and California Modified Assessment and to commence the development of a longitudinal academic growth model without the need to increase the Standardized Testing and Reporting (STAR) program appropriation for these tasks.

LAO's Report on 2010-11 May Revision. The LAO's Report on the 2010-11 May Revision (the "LAO's May Report"), released on May 19, 2010, confirms that the 2010-11 May Revision estimate of a $17.9 billion 2010-11 General Fund budget shortfall was reasonable, however, the LAO recommends that the State Legislature should reject certain of the 2010-11 May Revision spending reductions, especially the proposed elimination of CalWORKs and child care funding. The LAO's May Report suggests that alternative spending reductions could help sustain critical components of these core programs for the State's neediest families, and that some of the most severe cuts could be avoided by adopting selected revenue increases. The LAO regards it as counterproductive to eliminate CalWORKs in light of the programs' funding structure, and suggests that while it would save the General Fund $1.2 billion, it would eliminate more than $4 billion in Federal matching funds. However, even with such drastic reductions, the LAO believes that the State's long-term structural budget problems would remain and recommends that lawmakers use the current budget crisis as a prod to enact long-term reforms, including realigning programs between State and local governments, creating a meaningful rainy-day fund, and taking permanent budget actions to bring down the long-term structural deficit.

As to Proposition 98 funding, the LAO's May Report recognizes that, relative to the Proposed 2010-11 Budget, the 2010-11 May Revision contains only a minor funding increase in the current year (due to various technical adjustments) but a substantial funding reduction in the budget year (due to the proposed elimination of child care programs), and that while the reduction in 2009-10 General Fund revenues resulted in a drop in the minimum guarantee, the Governor's proposed Proposition 98 spending level for 2009-10 remains virtually unchanged from the Proposed 2010-11 Budget. The LAO'S May Report recognizes that the 2010-11 May Revision provides $503 million more than the Governor's estimate of the Proposition 98 minimum guarantee and for 2010-11, reduces Proposition 98 spending by $1.5 billion from the Proposed 2010-11 Budget level. To achieve additional savings without suspending the Proposition 98 minimum guarantee, the 2010-11 May Revision "rebenches" the guarantee to reflect the elimination of child care services, reducing the 2010-11 minimum guarantee by an amount equal to Proposition 98 child care spending in 2009-10. The LAO believes this rebenching redefines expenditures counted towards Proposition 98 and the minimum percentage of General Fund revenues that the State must provide for Proposition 98 spending and results in 2010-11 savings of $1.5 billion. The LAO has raised the concern that the Governor's Proposition 98 approach was legally risky, as it assumed the State had no maintenance factor obligation entering 2009-10 and that not only does the 2010-11 May Revision retain this questionable maintenance factor assumption, but further complicated it by the proposed rebenching of the minimum guarantee due to the elimination of child care programs. The LAO believes that the legality of rebenching for the elimination of State-subsidized child care is uncertain and, given these concerns, the LAO recommends that the State Legislature take a different approach to building the K-14 budget. The LAO's May Report sets forth several options as alternatives to the 2010-11 May Revision, including the suspension of the minimum guarantee in 2009-10 to the current spending level as allowed under the California Constitution. Despite the suspension, the LAO believes that schools would be funded at the same level as proposed by the 2010-11 May Revision and would not be subject to additional programmatic reductions in 2009-10 (beyond the reductions already imposed in the enacted budget).

The LAO's May Report recommends making targeted cuts (before resorting to across- the-board reductions) such as reducing funding for physical education courses offered by CCCs, aligning special education funding with revised student counts, and reducing the number of times the State administers the high school exit exam, and to make other cuts, as needed, to K-12 revenue limits and CCC apportionments from general purpose monies, and the K-12 flex item. In addition, the LAO continues to recommend combining these additional cuts with additional flexibility for school districts and CCCs (both from categorical program requirements and education mandates).

ABX8 5 and ABX8 14. On March 1, 2010, the Governor signed into law ABX8 5, effective immediately, which included several measures meant to allow the State to effectively manage its cash resources in the fiscal years 2009-10 and 2010-11. For fiscal year 2009-10, ABX8 5 authorized the deferral of General Fund payments to be made to trial court operations, the California University system, the University of California system, and CCCs in March 2010 to no sooner than April 15, 2010, but no later than May 1, 2010. Prior to such deferrals, the State Controller, Treasurer, and Director of Finance are required to review the actual cash situation to determine if the deferrals are in-fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after April 1, are required to review daily the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. To address the cash management issues in fiscal year 2010-11, ABX8 5 authorized specific deferrals to K-12 apportionments, Supplemental Security Income/State Supplementary Payments, local government social services and transportation payments and trial court operations. These deferrals are allowed only in July 2010 for no more than 60 days, October 2010 for no more than 90 days, and March 2011 for no more than 60 days. Prior to the implementation of such deferrals, the Controller, Treasurer and Director of Finance must review the actual cash receipts and disbursements to determine if they are in-fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after July 1, 2010, are required to conduct a daily review of the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. In addition, such deferrals may be moved forward or backward one month from the dates specified if all three of the Controller, Treasurer and Director of Finance determine that a move is necessary. ABX8 5 limited the K-12 deferrals to $2.5 billion at any given time during the fiscal year 2010-11 and sets a maximum of three K 12 deferrals during the fiscal year. ABX8 5 provided a hardship exemption for County Offices of Education, Local Education Agencies and Charter Schools. ABX8 5 further authorized the deferral of $200 million from July 2010 to October 2010 and $100 million from March 2011 to May 2011 for CCCs. ABX8 5 also provided for a hardship exemption for CCCs.

On March 22, 2010, the Governor signed into law, effective immediately, ABX8 14 which amended the cash management provisions for 2009-10 and 2010-11 enacted into law pursuant to ABX8 5. With regard to the 2009-10 cash management issues, ABX8 14 provides a hardship exemption process for the current year deferrals for CCCs and makes them the first entity to have deferrals paid as soon as funds are available. As to the 2010-11 cash issues, ABX8 14 clarifies the hardship exemption process for school districts, county offices of education and charter schools and provides certain other changes pertaining to those provisions. In addition, ABX8 14 requires the State Controller, State Treasurer, and Director of Finance to jointly provide a written declaration of the intended payment deferrals for the 2010-11 fiscal year no later than March 31, 2010 as well as requiring approval by the Director of Finance for hardship exemptions; and states the intent of the legislature that July 2010 deferrals shall first be made from the advance principal apportionment payment. The legislation also delays the date by which hardship exemption requests must be submitted (including with respect to 2010-11 CCC deferrals) and provides a second hardship waiver opportunity for the March 2011 deferral for those District's that did not receive an initial hardship waiver in June 2010.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2008-09 until September 23, 2008. Accordingly, State payments were held until the 2008-09 State Budget was adopted, including those scheduled to be made to school districts under Proposition 98 and receipt of State categorical funds by the District were delayed until the State budget was adopted for the 2008-09 fiscal year. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will continue to encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

In addition, the District cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the District budget or operations.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Nigro, Nigro & White, P.C., San Diego, California, serve as independent auditors to the District and excerpts of their report for the Fiscal Year Ended June 30, 2009, are attached hereto as APPENDIX C. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections. The District currently holds a positive certification from the Contra County Office of Education for its budget submissions.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see "APPENDIX C."

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth ("ADA") and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al*. The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

The Class Size Reduction Kindergarten-University Public Education Facilities Bond Acts of 2002 and 2004

Proposition 47. The Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 2002 ("Proposition 47") appeared on the November 5, 2002 ballot as Proposition 47 and was approved by the California voters. This measure authorized the sale and issuance of $13.05 billion in general obligation bonds for construction and renovation of K-12 school facilities ($11.4 billion) and higher education facilities ($1.65 billion). Proposition 47 included $6.35 billion for acquisition of land and new construction of K-12 school facilities. Of this amount, $2.9 billion was set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002. The balance of $3.45 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 50 percent of the costs for acquisition of land and new construction with local revenues. In addition, $100 million of the $3.45 billion would be available for charter school facilities. Proposition 47 makes available $3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, $1.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of $1.4 billion would be use to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40 percent of the costs for reconstruction or modernization with local revenues. Proposition 47 provides a total of $1.7 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have a large number of pupils relative to the size of the school site. In addition, $50 million will be available to fund joint-use projects. Proposition 47 also includes $1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems.

Proposition 47 represents the second largest general obligation bond measure for school construction and modernization approved by California voters in the last several years. Proposition 1A was previously approved in November 1998 and provided $6.7 billion of capital funding for schools.

The new buildings and infrastructure constructed by community colleges with the proceeds of Proposition 47 general obligation bonds were selected by the Governor and the Legislature, based upon applications from the college districts.

Proposition 55. The Kindergarten-University Public Education Facilities Bond Act of 2004 ("Proposition 55") appeared on the March 2, 2004 ballot as Proposition 55 and was approved by the California voters. This measure authorizes the sale and issuance of $12.3 billion in general obligation bonds for the construction and renovation of K-12 school facilities ($10 billion) and higher education facilities ($2.3 billion). Proposition 55 includes $5.26 billion for the acquisition of land and construction of new school buildings. A district would be required to pay for 50 percent of costs with local resources unless it qualifies for state hardship funding.

Proposition 55 makes $2.25 billion available for the reconstruction or modernization of existing school facilities. Districts would be required to pay 40 percent of project costs from local resources. Proposition 55 directs a total of $2.44 billion to districts with schools which are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 55 also makes a total of $50 million available to fund joint-use projects. Proposition 55 includes $2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for California's public higher education systems. The measure allocates $690 million to each University of California and California State University campus and $920 million to California community colleges. The Governor and the Legislature will select specific projects to be funded by the bond proceeds.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Financial Statements

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. See "DISTRICT FINANCIAL INFORMATION – The General Fund" for more information regarding the District's financial statements for recent Fiscal Years.

Funds used by the District are categorized as follows:

Governmental Funds	Fiduciary Funds
General Fund	Trust and Agency Funds
Special Revenue Funds	Proprietary Funds
Debt Service Funds	Internal Service Funds
Capital Project Funds	

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Chief Financial Officer for the District and audited by independent certified public accountants each year. Excerpts from the District's audited financial statements for the year ending June 30, 2009, are attached hereto as APPENDIX C.

Budgets of District

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. See "DISTRICT FINANCIAL INFORMATION – General Fund."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2009-10, the District budgeted $4,271,331 in State Lottery aid and has budgeted $4,352,360 for such aid in 2010-11. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted. See "MT. DIABLO UNIFIED SCHOOL DISTRICT - State Budget" herein.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the

California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and. ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in Rossi v. Brown by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98 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 the District's revenues or their ability to expend revenues.

THE CONTRA COSTA COUNTY TREASURY POOL

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been prepared by the County Treasurer (the "Treasurer") for inclusion in this Official Statement. Neither the District nor the Underwriters make any representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County of Contra Costa, 1600 Finance Building, Room 100, 625 Court Street, Martinez, California 4553.

The Treasurer manages the County Pool in which certain funds of the County and certain funds of other participating entities are invested pending disbursement (including the Debt Service Fund of the District). Amounts held for the County, school districts and special districts located within the County constitute most of the County Pool. The Treasurer is the *ex officio* treasurer of each of these participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. Under State law, withdrawals are allowed only to pay for expenses, which have become due. The remaining amounts in the County Pool are not legally required to be maintained in the County Pool and can be withdrawn by the depositors for whom these amounts are held, provided such withdrawals conform to legal mandates and procedures.

Each governing board of school districts and special districts within the County may allow, by appropriate board resolutions, certain withdrawals of non-operating funds for purposes of investing outside the County Pool. Some districts have from time to time authorized the Treasurer to purchase specified investments for certain district funds to mature on predetermined future dates when cash would be required for disbursements.

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 Contra Costa County Board of Supervisors. The District's bond proceeds will be invested at the direction of the District. The Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District will maintain or cause to be maintained detailed records with respect to the applicable proceeds. The current investment policy was adopted by the Board of Supervisors in June 2010. 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.

As of June 30, 2010, over 87% or over $1.78 billion of the County Pool was invested in maturities of less than one year. As of that date, the weighted average maturity of the County Pool was approximately 122 days. 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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Type	Par Value	Cost	Fair Value	Percent of Total Cost
A. Investments Managed by Treasurers Office				
U.S. Treasuries (STRIPS, Bills, Notes)	$ 31,673,000.00	$ 31,153,141.97	$ 31,825,263.05	1.53%
U.S. Agencies				
Federal Agriculture Mortgage Corp.	6,751,000.00	7,032,398.93	7,055,842.81	0.34%
Federal Home Loan Banks	114,509,000.00	116,235,308.67	117,269,171.90	5.69
Federal National Mortgage Assoc.	112,021,000.00	112,013,873.67	112,366,922.22	5.48
Federal Farm Credit Banks	13,419,000.00	13,760,484.88	13,763,645.94	0.67
Federal Home Loan Mortgage Corp.	101,774,000.00	102,373,621.09	102,682,371.47	5.01
Municipal Bonds	1,000,000.00	1,000,000.00	1,000,000.00	0.05
Subtotal	$349,474,000.00	$352,415,687.24	$354,137,954.34	17.25%
Money Market Instruments				
Bankers Acceptances	62,546,000.00	62,463,005.80	62,484,014.55	3.06
Repurchase Agreements	162,226,000.00	162,226,000.00	162,226,000.00	7.94
Commercial Paper	406,348,000.00	406,064,100.26	406,206,818.52	19.88
Negotiable Certificates of Deposit	280,000,000.00	280,000,000.00	280,023,033.95	13.71
Corporate Notes	39,497,000.00	40,154,262.48	39,948,374.80	1.97
Time Deposit	3,076.96	3,076.96	3,159.77	0.00
Subtotal	$950,620,076.96	$950,910,445.50	$950,891,401.59	46.55%
TOTAL	$1,331,767,076.96	$1,334,479,274.71	$1,336,854,618.998	65.33%
B. Investments Managed by Outside Contractors				
Local Agency Investment Fund	$414,969,068.89	$414,969,068.89	$415,651,185.09	20.31%
Other				
California Asset Management Program	29,369.00	29,369.00	29,374.91	0.00%
Miscellaneous (BNY, Mechanics)	231,248.78	231,248.78	252,077.78	0.01
Wells Fargo Asset Management	44,959,844.00	44,959,844.00	45,185,138.57	2.20
Columbia Management Group	38,028,730.00	38,028,730.00	38,468,246.00	1.86
CalTRUST	136,642,317.66	136,642,317.66	136,738,288.69	6.69
Subtotal	$ 219,891,509.44	$ 219,891,509.44	$ 220,673,125.95	10.76%
TOTAL	$ 634,860,578.33	$ 634,860,578.33	$ 636,324,311.04	31.08%
C. Cash	$ 65,974,256.12	$ 65,974,256.12	$ 65,974,256.12	3.59%
GRAND TOTAL	$2,039,975,244.50	$2,042,687,442.25	$2,046,526,519.23	100.00%

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 290 days following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2010-11 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The District has entered into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of material events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

LEGAL MATTERS

The legal opinion of Matt Juhl-Darlington & Associates, Los Angeles, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. A copy of the legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel to the District (“Special Tax Counsel”) will be attached to the Bonds. Bond Counsel, Disclosure Counsel and Special Tax Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

TAX MATTERS

Series A Bonds

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Series A Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Bonds.

Tax Treatment of Original Issue Discount. If the initial offering price to the public (excluding bond houses and brokers) at which a Series A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series A Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series A Bonds who purchase the Series A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series A Bonds under federal individual and corporate alternative minimum taxes.

Tax Treatment of Original Issue Premium. If the initial offering price to the public (excluding bond houses and brokers) at which each Series A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Series A Bond (said term being the shorter of the Series A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series A Bond is amortized each year over the term to maturity of the Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Series A Bond premium is not deductible for federal income tax purposes. Owners of premium Series A Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series A Bonds. De minimis original issue premium is disregarded.

California Tax Status. In the opinion of Special Tax Counsel, interest on the Series A Bonds is exempt from California personal income taxes.

Other Tax Considerations. Owners of the Series A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds may have federal or state tax consequences other than as described above. Special Tax Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series A Bonds other than as expressly described above.

Form of Special Tax Counsel Opinion. The form of the proposed opinion of Special Tax Counsel relating to the Series A Bonds is attached to this Official Statement as Appendix A-2.

Series B Bonds

Federal Tax Status. In the opinion of Special Tax Counsel, subject, however to the qualifications set forth below, under existing law, the Series B Bonds constitute “New Clean Renewable Energy Bonds” within the meaning of Section 54C of the Code. The District has irrevocably elected to apply the provisions of Section 6431(f) of the Code to the Series B Bonds, and the Series B Bonds are specified tax credit bonds ("Qualified Bonds") eligible for the credit payable by the federal government under Section 6431(f)(2) of the Code (the "Bond Subsidy Payments").

The opinions set forth in the preceding sentence are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Series B Bonds in order for the Series B Bonds to be treated as Qualified Bonds and continue to be eligible for the Bond Subsidy Payments. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may result in a delay or forfeiture of all or a portion of the Bond Subsidy Payments and may cause the Series B Bonds to cease to be treated as Qualified Bonds either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of issuance of the Series B Bonds. Special Tax Counsel express no opinion regarding the procedures regarding, and availability of funds with respect to, the payment of the Bond Subsidy Payments by the federal government, nor does Special Tax Counsel express any opinion regarding other federal tax consequences arising with respect to the Series B Bonds.

Interest on the Series B Bonds is not intended to be excluded from gross income for federal income tax purposes, and the holders of the Series B Bonds will not be entitled to any tax credits as a result of their ownership of such Series B Bonds.

California Tax Status. In the opinion of Special Tax Counsel, interest on the Series B Bonds is exempt from personal income taxation imposed by the State of California.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Series B Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Series B Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and premium are disregarded. Owners of Series B Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Series B Bonds.

Expenditure Period. In the event the District fails to expend all of certain proceeds of the Series B Bonds for a qualified purpose with respect to the project within the period ending three years after the date of issue of the Series B Bonds or such later date if extended by the IRS (the "Expenditure Period"), the District is required to use said unexpended proceeds to redeem all or a portion of the Series B Bonds all in accordance with the requirements of Section 54A(d)(2)(B) of the Code in the time and manner prescribed by the Code. See "THE BONDS – Redemption" above.

Other Tax Considerations. Owners of the Series B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds may have federal or state tax consequences other than as described above. Special Tax Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series B Bonds other than as expressly described above.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, Special Tax Counsel informs owners of the Series B Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Series B Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

Form of Special Tax Counsel Opinion. The form of the proposed opinion of Special Tax Counsel relating to the Series B Bonds is attached to this Official Statement as Appendix A-3.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") are expected to assign their municipal bond ratings of "Aa3" (negative outlook) and "AAA" (negative outlook) respectively, to the Bonds, based upon the issuance of the Policy by AGM at the time of delivery of the Bonds. Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") have assigned their underlying municipal bond ratings of "Aa3" and "A+" respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P, respectively, and an explanation of the significance of such ratings may be obtained as follows: Moody's at 99 Church Street, New York, New York 10007, tel. (212) 553-0300 and S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

ESCROW VERIFICATION

The sufficiency of amounts and investment earnings on deposit in the 1998 Prepayment Account will be verified by Causey, Demgen & Moore, Inc., certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

UNDERWRITING

Stone & Youngberg LLC, as representative of itself, George K. Baum & Company and Brandis Tallman LLC, has agreed to purchase the Series A Bonds at the purchase price of $51,409,310.84 (reflecting the issue amount of the Series A Bonds plus a net original issue premium in the amount of $2,734,346.90 less an Underwriters' discount of $621,125.33, bond insurance premium of $842,390.51 and payment of certain costs of issuance in the amount of $317,995.22), at the rates and yields shown on the inside cover hereof. The Representative has agreed to purchase the Series B Bonds at the purchase price of $59,540,000 (reflecting the principal amount of the Series B Bonds), at the rates and yields shown on the inside cover hereof.

The Underwriters may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Mt. Diablo Unified School District, 1936 Carlotta Drive, Concord, California 94519.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: /s/ Steven Lawrence
Superintendent

APPENDIX A-1

FORM OF BOND COUNSEL OPINION

[Closing date]

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

Re: $50,456,475 Mt. Diablo Unified School District General Obligation Bonds, 2010 Election, 2010 Series A and $59,540,000 Mt. Diablo Unified School District General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds- Direct Payment)

Ladies and Gentlemen:

We have acted as bond counsel for the Mt. Diablo Unified School District, County of Contra Costa, State of California (the "District"), in connection with the issuance by the District of $50,456,475 aggregate principal or issue amount of General Obligation Bonds, 2010 Election, 2010 Series A (the "Series A Bonds") and $59,540,000 aggregate principal amount of the District's General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds- Direct Payment) (the "Series B Bonds," and, together with the Series A Bonds, the "Bonds. The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Education of the District on August 10, 2010 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

We express no opinion with respect to any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

APPENDIX A-2

FORM OF SERIES A SPECIAL TAX COUNSEL OPINION

____, 2010

Board of Education
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, California 92780

OPINION: $50,456,475 Mt. Diablo Unified School District (Contra Costa County, California) General Obligation Bonds, 2010 Election, 2010 Series A

Members of the Board of Education:

We have acted as special tax counsel to the Mt. Diablo Unified School District (the "District") in connection with the issuance by the District, of the above-captioned bonds (the "Series A Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Series A Bonds are issued pursuant to a resolution (the "Resolution") of the Board of Education of the District adopted on August 10, 2010. Regarding questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy of the final approving opinion relating to the Series A Bonds (the "Bond Counsel Opinion") of Matt Juhl Darlington & Associates, Bond Counsel, as to the matters covered in the Bond Counsel Opinion. We note that the Bond Counsel Opinion is subject to a number of qualifications and limitations. Failure of any of the matters covered in the Bond Counsel Opinion to be true may cause the inclusion of interest on the Series A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Bonds.

Based on the foregoing, we are of the opinion that, under existing law:

1. The interest on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series A Bonds in

order that interest thereon be, or continue to be, excluded from gross income for federal tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series A Bonds.

2. The interest on the Series A Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Series A Bonds and the enforceability of the Series A Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX A-3

FORM OF SERIES B SPECIAL TAX COUNSEL OPINION

____, 2010

Board of Education
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, California 92780

OPINION: $59,540,000 Mt. Diablo Unified School District (Contra Costa County, California) General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment)

Members of the Board of Education:

We have acted as special tax counsel to the Mt. Diablo Unified School District (the "District") in connection with the issuance by the District, of the above-captioned bonds (the "Series B Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Series B Bonds are issued pursuant to a resolution (the "Resolution") of the Board of Education of the District adopted on August 10, 2010. Regarding questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy of the final approving opinion relating to the Series B Bonds (the "Bond Counsel Opinion") of Matt Juhl Darlington & Associates, Bond Counsel, as to the matters covered in the Bond Counsel Opinion. We note that the Bond Counsel Opinion is subject to a number of qualifications and limitations. Failure of any of the matters covered in the Bond Counsel Opinion to be true may result in a delay or forfeiture of all or a portion of the Bond Subsidy Payments (described below) and may cause the Series B Bonds to cease to be treated as a Qualified Bond either prospectively from the date of determination or retroactively to the date of issuance of the Series B Bonds.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Series B Bonds are "new clean renewable energy bonds", as that term is defined in Section 54C of the Internal Revenue Code of 1986 (the "Tax Code"). The District has irrevocably elected to apply the provisions of Section 6431(f) of the Tax Code to the Series B Bonds, and the Series B Bonds are specified tax credit bonds ("Qualified Bonds") eligible for the credit payable to the District by the Federal government under Section 6431(f) of the Tax Code (the "Bond Subsidy Payments"). The

opinions set forth in the preceding sentences are subject to the condition that the District complies with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Series B Bonds in order for the Series B Bonds to be treated as Qualified Bonds and to continue to be eligible for the Bond Subsidy Payments. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may result in a delay or forfeiture of all or a portion of the Bond Subsidy Payments and may cause the Series B Bonds to cease to be treated as Qualified Bonds either prospectively from the date of determination or retroactively to the date of issuance of the Series B Bonds. The interest on the Series B Bonds is not intended to be excludable from gross income for federal income tax purposes. We express no opinion regarding the procedures regarding, and availability of funds with respect to, the payment of the Bond Subsidy Payments by the Federal government, nor do we express any opinion regarding other federal tax consequences arising with respect to the Series B Bonds.

2. The interest on the Series B Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Series B Bonds and the enforceability of the Series B Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

To ensure compliance with requirements imposed by the IRS, we inform the owners of the Series B Bonds that any U.S. federal tax advice contained herein for the Bonds (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Series B Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX B

SELECTED INFORMATION REGARDING THE COUNTY OF CONTRA COSTA

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriters. The District comprises only a portion of the County of Contra Costa, and the Bonds are only payable from *ad valorem* property taxes levied on property in the District.

County of Contra Costa

The County of Contra Costa, California (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County is the ninth most populous county in California, with its population reaching approximately 1,073,055 as of January 1, 2010.

The County provides services to residents through departments and agencies including the Departments of Building Inspection, Community Development, Economic & Redevelopment, Airports, Flood Control, Parks, and Road and Transportation. Each city within the County provides for local services such as police, fire, water, and various other services normally associated with municipalities.

Government

The County is governed by a County Administrator and a Board of Supervisors of five members. Each supervisor is responsible for one of five districts within the County.

The County Administrator's Office is responsible for staffing the Board and Board committees, planning and overseeing County operations, and ensuring that Board policies are carried out in the most efficient and service oriented manner.

The duties and responsibilities of the Board of Supervisors include appointing County department heads and employees, providing for the compensation of all County officials and employees, creating officers, boards and commissions as needed, awarding all contracts for Public Works and all other contracts exceeding $25,000, adopting an annual budget, and supervising the operations of departments and exercising executive and administrative authority through the County government and County Administrator.

Population

The population of Pleasant Hill, Concord and Walnut Creek, as well as the population in the County for calendar years 2005 through 2010 is presented in the following table.

CITIES OF PLEASANT HILL, CONCORD AND WALNUT CREEK
AND THE COUNTY
Calendar Years 2005 through 2010

Year	City of Pleasant Hill	City of Concord	City of Walnut Creek	Contra Costa County
2006	33,044	123,371	65,288	1,025,436
2007	32,950	122,896	65,056	1,035,097
2008	33,356	123,693	65,263	1,048,185
2009	33,576	124,703	65,915	1,061,325
2010	33,844	125,864	66,584	1,073,055

Population shown as of January 1st of the given year
Source: California State Department of Finance.

Employment

The civilian labor force in the County consists of an average of 526,000 workers as of 2009. The total employment component of the labor force is 471,700. County residents seeking employment averaged 54,300 during 2009.

CONTRA COSTA COUNTY, CALIFORNIA, AND UNITED STATES
Labor Force, Employment, and Unemployment[1]

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[2]
2005				
Contra Costa County	512,700	487,700	25,000	4.9%
California	17,629,200	16,671,900	957,200	5.4
United States	149,296,000	141,715,000	7,591,000	5.1
2006				
Contra Costa County	515,900	493,800	22,100	4.3
California	17,821,100	16,948,400	872,700	4.9
United States	151,413,000	144,419,000	7,001,000	4.6
2007				
Contra Costa County	519,700	495,400	24,300	4.7
California	18,391,800	17,108,700	969,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
Contra Costa County	529,200	496,400	32,700	6.2
California	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,200	8,924,000	5.8
2009				
Contra Costa County	526,000	471,700	54,300	10.3
California	18,250,200	16,169,700	2,080,500	11.4
United States	154,142,000	139,877,000	14,265,000	9.3

(1) Data reflects employment status of individuals by place of residence.
(2) Unemployment rate is based on unrounded data.
Source: California State Employment Development Department and U.S. Department of Labor.

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Major Employers Within the County

Although the County is primarily suburban, the County is host to a diverse mix of major employers representing industries ranging from government and health services to diversified manufacturing. The following table lists the County's major employers.

COUNTY OF CONTRA COSTA
MAJOR EMPLOYERS

Employer	No. of Employees	Location	Industry
Chevron Corp	5,000-9,999	San Ramon	Oil Refiners (Manufacturers)
Chevron Global Downstream LLC	1,000-4,999	San Ramon	Petroleum Products (Wholesale)
Contra-Costa Regional Medical Center	1,000-4,999	Martinez	Hospitals
Doctor's Medical Center	1,000-4,999	San Pablo	Hospitals
John Muir Medical Center	1,000-4,999	Walnut Creek	Hospitals
John Muir Medical Center	1,000-4,999	Concord	Hospitals
John Muir Physical Rehab.	1,000-4,999	Concord	Rehabilitation Services
Kaiser Permanente Medical Center	1,000-4,999	Walnut Creek	Clinics
Kaiser Permanente Medical Center	1,000-4,999	Walnut Creek	Hospitals
St. Mary's College of California	1,000-4,999	Moraga	Schools – Universities & Colleges Academic
USS-POSCO Industries	1,000-4,999	Pittsburg	Steel Mills (Manufacturers)
Bank of the West	500-999	Walnut Creek	Banks
Bio-Rad Laboratories Inc	500-999	Hercules	Laboratory
C & H Sugar	500-999	Crockett	Sugar Refiners (Manufacturers)
Concord Naval Weapons Station	500-999	Concord	Federal Government-National Security
Department of Veteran Affairs	500-999	Martinez	Physicians & Surgeons
MuirLab	500-999	Richmond	Laboratories – Medical
Richmond City Offices	500-999	Richmond	Gov. Offices – City, Village & Township
San Ramon Regional Medical Center	500-999	San Ramon	Hospital
Shell Martinez Refinery	500-999	Martinez	Oil Refiners (Manufacturers)
Shell Oil Products Company	500-999	Martinez	Service Stations – Gasoline & Oil
Sutter Delta Medical Ctr.	500-999	Antioch	Hospitals
Tesoro Golden Eagle Refinery	500-999	Pacheco	Oil Refiners (Manufacturers)
VA Outpatient Clinic	500-999	Martinez	Physicians & Surgeons

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

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Industry

The following table shows the estimated number of labor force by industry group for 2004 through 2008, the most recent data available.

COUNTY OF CONTRA COSTA
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES
2004 through 2008 by Class of Work

	2004	2005	2006	2007	2008
Mining	400	400	500	400	300
Construction	87,700	90,800	92,600	87,000	76,200
Manufacturing	104,300	104,500	103,600	102,500	102,300
Transportation and Public Utilities	28,500	28,400	28,700	28,800	29,300
Wholesale and Retail Trade	186,800	191,000	192,700	193,600	186,700
Finance, Insurance, and Real Estate	74,900	76,200	76,900	73,600	69,200
Other Services	1,067,900	1,086,400	1,103,200	48,300	48,800
Government	214,300	215,100	217,700	222,400	225,200
Non Agriculture Total	1,260,300	1,282,100	1,299,900	1,308,800	1,299,200

Source: California State Employment Development Department.

Building Permits

The following table provides a summary of the building permit valuations, and the number of new dwelling units authorized in the County from 2005 through March, 2010. The valuation of non-residential permits includes both private commercial construction and publicly funded, non-tax generating projects.

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COUNTY OF CONTRA COSTA
Building Permit Valuations
and Number of Dwelling Units
2005 through 2010[1]

	2005	2006	2007	2008	2009	2010 [1]
Valuation[2]						
Residential	$1,925,422	$1,451,820	$1,216,666	$661,935	$504,632	$212,742
Nonresidential	392,872	412,505	491,318	459,935	314,305	111,950
Total	$2,318,294	$1,864,325	$1,707,984	$1,121,870	$818,937	$324,692
Number of New Dwelling Units						
Single Family	5,452	3,310	2,698	985	1,038	397
Multiple Family	860	1,178	909	909	163	133
Total	6,312	4,488	3,607	1,894	1,201	530

(1) Data through May 31, 2010.
(2) Valuation in thousands.
Source: Construction Industry Research Board.

Commercial Activity

The County has both residential and industrial areas, with major manufacturers which include oil and gas, plastic, metals and furniture. Taxable transactions from 2004 through 2008 are summarized below.

COUNTY OF CONTRA COSTA
Taxable Retail Sales

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

Source: California State Board of Equalization.

Transportation

Centrally located in the east bay region of the San Francisco bay area, the County is accessible to major transportation resources including Bay Area Rapid Transit which connects five counties including the San Francisco peninsula, Oakland, Berkeley, Fremont, Walnut Creek, Pleasant Hill, Concord Dublin/Pleasanton, and other cities within and without the County. The County is also in close proximity to Highways 5, 205, 580 and 680 as well as approximately 20 miles east of Oakland International Airport and 30 miles northeast of San Francisco International Airport providing for convenient interstate transportation. The County is also home to two non-commercial airports; Buchanan Field Airport and Byron Airport, located in Concord and Byron, respectively.

Education

The County is comprised of 19 school districts, 5 community colleges, and is both home to and has access to major universities, including California State University, East Bay, University of California, Berkeley, Mills College, San Francisco State University, Golden Gate University, St Mary's College of California and John F. Kennedy University. The District serves approximately one-third of the County and is the largest school district within the County.

Community Facilities and Recreation

The County is home to Mt. Diablo State Park (the "Park"), which was designated a State park in 1921. Within the Park, Mount Diablo has an elevation of 3,849 feet providing a view west across the Golden Gate Bridge to the Farallon islands, southeast to the James Lick Observatory, south to the Santa Cruz mountains, east to the San Joaquin and Sacramento Rivers and north to Mount Saint Helens and Mount Lassen in the Cascades. The Park's 22,000 acres consist mostly of typical central California oak and grassland country with extensive areas of chaparral. Areas of riparian woodland, knobcone pine and coulter pine are also scattered throughout the park. Over 400 species of plants have been identified within the park as well as abundant wildlife including deer, raccoons, gray fox, bobcat, mountain lions and striped and spotted skunks. The Park provides guided hiking, rock climbing horseback riding, biking, camping and picnic facilities for visitors.

The County also contains numerous local parks and recreation facilities including Lefty Gomez Recreation Building and Ball Field Complex, an 11 acre park with ball fields, tennis courts, playground equipment, picnic and barbecue facilities and a community center, Montalvin Park, a seven acre community park with a basketball court, a tennis court and picnic facilities, MonTaraBay Park Community Center and Ball Field Complex, a four acre complex with a ball field and community center and Rodeo Creek Trail, a two and a half mile trail with indigenous trees, shrubs, grasses and wildflowers.

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APPENDIX C

MT. DIABLO UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR 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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FINDINGS AND QUESTIONED COSTS SECTION

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Board of Accountancy

Board of Trustees
Mount Diablo Unified School District
Concord, California

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

Rizzo Rizzo & 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

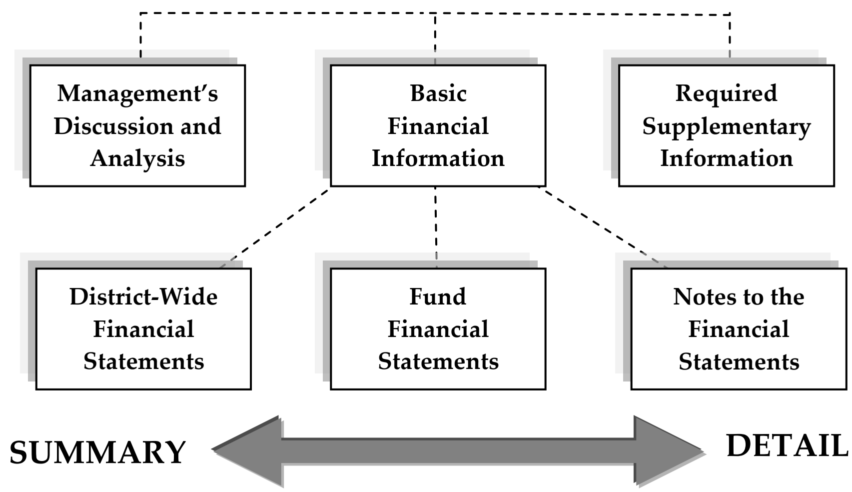

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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

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

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

	General Fund	County School Facilities Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
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 provisions in 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.

Nigro Nigro & White, PC

San Diego, California
November 14, 2009

Findings and Questioned Costs Section

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
84.010	No Child Left Behind Act (NCLB) 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.

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.

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.

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 D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Mt. Diablo Unified School District (the "District") in connection with the execution and delivery of $50,456,475 aggregate principal or issue amount of the District's General Obligation Bonds, 2010 Election, 2010 Series A and $59,540,000 aggregate principal amount of the District's Federally Taxable General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds - Direct Payment), (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on August 10, 2010 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriters described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Stone & Youngberg LLC, George K. Baum & Company and Brandis Tallman LLC (collectively, the "Underwriters") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Agreement.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Assistant Superintendent, Administrative Services (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be the District.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at http://emma.msrb.org/, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated September 22, 2010 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 240 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2011, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding Fiscal Year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) General fund budget and actual results;

(ii) Assessed valuations;

(iii) Largest local secured taxpayers; and

(iv) Secured tax charges and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Material Events.

(a) The District agrees to provide or cause to be provided, in a timely manner, to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies.

(ii) Nonpayment-related defaults.

(iii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(v) Substitution of or failure to perform by any credit provider.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

(vii) Modifications to rights of security holders.

(viii) Bond calls (other than mandatory, scheduled redemptions, not otherwise contingent upon the occurrence of an event).

(ix) Defeasances.

(x) Release, substitution or sale of any property securing the repayment of the Bonds.

(xi) Rating changes.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriters and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: September 30, 2010

MT. DIABLO UNIFIED SCHOOL DISTRICT

By:____

Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mt. Diablo Unified School District

Name of Issue: $50,456,475 General Obligation Bonds, 2010 Election, 2010 Series A and $59,540,000 General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds - Direct Payment)

Date of Issuance: September 30, 2010

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated September 30, 2010. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 Securities 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds 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 (or the Paying Agent on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, Maturity Value, premium, if any, and interest payments on the Bonds 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 nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Maturity Value, premium, if any, and interest 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 Bonds 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, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository).Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal, Maturity Value of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX F

ACCRETED VALUE TABLE

Date	Capital Appreciation Bond maturing 8/1/2016 12.00%	Capital Appreciation Bond maturing 8/1/2017 12.00%	Capital Appreciation Bond maturing 8/1/2018 12.00%	Capital Appreciation Bond maturing 8/1/2019 12.00%	Capital Appreciation Bond maturing 8/1/2020 12.00%
9/30/2010	$2,532.75	$2,254.10	$2,006.15	$1,785.45	$1,589.05
2/1/2011	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55
8/1/2011	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70
2/1/2012	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80
8/1/2012	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20
2/1/2013	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30
8/1/2013	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50
2/1/2014	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15
8/1/2014	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80
2/1/2015	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90
8/1/2015	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95
2/1/2016	4,716.95	4,198.05	3,736.25	3,325.25	2,959.45
8/1/2016	5,000.00	4,449.95	3,960.45	3,524.80	3,137.05
2/1/2017	--	4,716.95	4,198.05	3,736.25	3,325.25
8/1/2017	--	5,000.00	4,449.95	3,960.45	3,524.80
2/1/2018	--	--	4,716.95	4,198.05	3,736.25
8/1/2018	--	--	5,000.00	4,449.95	3,960.45
2/1/2019	--	--	--	4,716.95	4,198.05
8/1/2019	--	--	--	5,000.00	4,449.95
2/1/2020	--	--	--	--	4,716.95
8/1/2020	--	--	--	--	5,000.00
2/1/2021	--	--	--	--	--
8/1/2021	--	--	--	--	--
2/1/2022	--	--	--	--	--
8/1/2022	--	--	--	--	--

Date	Capital Appreciation Bond maturing 8/1/2021 12.00%	Capital Appreciation Bond maturing 8/1/2022 9.70%	Convertible Capital Appreciation Term Bond maturing 8/1/2025 5.10%	Convertible Capital Appreciation Term Bond maturing 8/1/2030 5.56%	Convertible Capital Appreciation Term Bond maturing 8/1/2035 5.77%
9/30/2010	$1,414.25	$1,629.55	$2,754.85	$2,612.55	$2,550.15
2/1/2011	1,470.75	1,682.25	2,801.85	2,661.15	2,599.35
8/1/2011	1,559.00	1,763.85	2,873.30	2,735.10	2,674.35
2/1/2012	1,652.55	1,849.40	2,946.55	2,811.15	2,751.50
8/1/2012	1,751.70	1,939.10	3,021.70	2,889.30	2,830.90
2/1/2013	1,856.80	2,033.15	3,098.75	2,969.65	2,912.55
8/1/2013	1,968.20	2,131.75	3,177.80	3,052.20	2,996.60
2/1/2014	2,086.30	2,235.10	3,258.80	3,137.05	3,083.05
8/1/2014	2,211.50	2,343.55	3,341.90	3,224.25	3,172.00
2/1/2015	2,344.15	2,457.20	3,427.15	3,313.90	3,263.50
8/1/2015	2,484.80	2,576.35	3,514.55	3,406.00	3,357.65
2/1/2016	2,633.90	2,701.30	3,604.15	3,500.70	3,454.55
8/1/2016	2,791.95	2,832.35	3,696.05	3,598.00	3,554.20
2/1/2017	2,959.45	2,969.70	3,790.30	3,698.05	3,656.75
8/1/2017	3,137.05	3,113.75	3,886.95	3,800.85	3,762.25
2/1/2018	3,325.25	3,264.75	3,986.10	3,906.50	3,870.80
8/1/2018	3,524.80	3,423.10	4,087.75	4,015.10	3,982.45
2/1/2019	3,736.25	3,589.10	4,191.95	4,126.75	4,097.35
8/1/2019	3,960.45	3,763.20	4,298.85	4,241.45	4,215.55
2/1/2020	4,198.05	3,945.70	4,408.50	4,359.40	4,337.20
8/1/2020	4,449.95	4,137.10	4,520.90	4,480.55	4,462.30
2/1/2021	4,716.95	4,337.75	4,636.20	4,605.15	4,591.05
8/1/2021	5,000.00	4,548.10	4,754.40	4,733.15	4,723.50
2/1/2022	--	4,768.70	4,875.65	4,864.75	4,859.75
8/1/2022	--	5,000.00	5,000.00	5,000.00	5,000.00

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By ________________________________
Authorized Officer

(212) 826-0100

Form 500NY (5/90)