NEW ISSUE — BOOK-ENTRY ONLY **RATING: Moody's: "Aa3"**
(See "RATING" 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 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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Special Tax Counsel, interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein.

$149,995,000
MT. DIABLO UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
GENERAL OBLIGATION BONDS, 2010 ELECTION, 2012 SERIES E

Dated: Date of Delivery **Due: June 1 and August 1, as shown below**

The Mt. Diablo Unified School District General Obligation Bonds, 2010 Election, 2012 Series E (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 to finance the construction, acquisition, furnishing and equipping of District facilities and to pay certain costs of issuance of the Bonds, as more fully described herein under the caption "THE PROJECTS." The Bonds are the fifth series of bonds issued under the Authorization and are issued on a parity with all other general obligation bonds of the District.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2013, except for the final interest payment on the Bonds maturing on June 1, 2037 which is payable on June 1, 2037. See ''THE BONDS'' herein.

The Bonds will be issued in book-entry form only, in denominations of $5,000 principal amount 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 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 and premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (621196)	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (621196)
2013	$7,105,000	0.300%	0.300%	B86	2022	2,415,000	4.000%	2.480%	C93
2014	5,830,000	0.550	0.550	B94	2023	2,890,000	5.000	2.730*	D27
2015	200,000	3.000	0.810	C28	2024	3,390,000	5.000	2.960*	D35
2016	210,000	3.000	0.940	C36	2025	4,035,000	5.000	3.100*	D43
2017	420,000	4.000	1.180	C44	2026	5,210,000	5.000	3.200*	D50
2018	780,000	4.000	1.480	C51	2027	5,690,000	5.000	3.280*	D68
2019	1,200,000	4.000	1.740	C69	2028	6,525,000	5.000	3.360*	D76
2020	1,665,000	4.000	2.000	C77	2029	6,415,000	5.000	3.430*	D84
2021	2,145,000	4.000	2.270	C85	2030	5,510,000	5.000	3.500*	D92

$15,585,000 5.000% Term Bonds due August 1, 2032 Priced to Yield: 3.620%* CUSIP[1]: 621196 E26

$27,280,000 4.125% Term Bonds due August 1, 2034 Priced to Yield: 4.125%* CUSIP[1]: 621196 E42

$45,495,000 5.000% Term Bonds due June 1, 2037 Priced to Yield: 3.910%* CUSIP[1]: 621196 E34

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. Certain matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Denver, Colorado. 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 June 20, 2012.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

GEORGE K. BAUM & COMPANY

The Date of this Official Statement is: May 30, 2012

* Priced to first par call date of August 1, 2022.

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 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.

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

Board of Education

Sherry Whitmarsh, *President*
Linda Mayo, *Vice-President*
Gary Eberhart, *Member*
Lynne Dennler, *Member*
Cheryl Hansen, *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 and Registration Agent

Wells Fargo Bank, National Association
San Francisco, California

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$149,995,000
MT. DIABLO UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
GENERAL OBLIGATION BONDS, 2010 ELECTION, 2012 SERIES E

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 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 have the Board of Supervisors (the "County Board") of the County of Contra Costa (the "County") issue in the name and on behalf of the District $149,995,000 aggregate principal amount of its General Obligation Bonds, 2010 Election, 2012 Series E (the "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 fifth 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 to finance the construction, acquisition, furnishing and equipping of District facilities and to pay certain costs of issuance of the Bonds. See "THE PROJECTS" herein.

Registration

Wells Fargo Bank, National Association will act as the initial registrar, transfer 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 2011-12 is 32,312.47 students, and the District has a 2011-12 assessed valuation of $29,550,958,421. The District's audited financial statements for the fiscal year ended June 30, 2011 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 of and interest on, the Bonds when due. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Authority for Issuance

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

Redemption

The Bonds are subject to optional and mandatory sinking fund redemption as described herein. See "THE BONDS – Redemption" herein.

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel, subject, however to the qualifications described herein, under existing law, the interest on the 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; provided, 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, such interest is exempt from California personal income taxes. See "TAX MATTERS" 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.

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 June 20, 2012.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the County Board in the name and on behalf of the District under the provisions of Chapter 2, Part 10, Division 1, Title 1.5 of the Education Code of the State of California (the "Education Code") (commencing with Section 15426) and pursuant to a resolution of the Board of Education of the District adopted on April 23, 2012 (the "District Resolution") and a resolution of the County Board adopted on May 8, 2012 (the "Bond 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 (the "Election"). 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 at the Election. Subsequent to the issuance of the Bonds, $77,009,943.45 aggregate principal amount of bonds will remain for issuance under the Authorization.

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 "THE PROJECTS" 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 or integral multiples thereof.

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 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.

Payment of the Bonds

Interest on the Bonds is payable commencing February 1, 2013, and semiannually thereafter on February 1 and August 1 of each year, except for the final payment of interest on the Bonds maturing on June 1, 2037 which will be paid on June 1, 2037 (each, an "Interest Payment Date"). The Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered during the period from the 16th day of the month immediately preceding any Interest Payment Date to that Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is registered prior to the close of business on January 15, 2013, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption

Optional Redemption

The Bonds maturing on or before August 1, 2022 are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on and after August 1, 2023 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, 2022, as a whole or in part, at a redemption price equal to the principal amount of the Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 1, 2032, 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 Bond 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
2031	$ 5,340,000
2032*	10,245,000

* Maturity

The Bonds maturing on August 1, 2034, 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 Bond 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
2033	$12,450,000
2034*	14,830,000

* Maturity

The Bonds maturing on June 1, 2037, are also subject to mandatory sinking fund redemption, in part, from moneys in the Debt Service Fund established under the Bond Resolution and on the dates 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 (June 1 and August 1)	Principal
August 1, 2035	$17,485,000
August 1, 2036	17,970,000
June 1, 2037*	10,040,000

* Maturity

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 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 of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice of the redemption of the Bonds. Such redemption 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, (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, 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 Bonds, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Effect of Notice of Redemption

Notice having been given as required in the Bond 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 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 interest at the same rate and maturing on the same date.

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Bond Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Bond Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Bond Resolution.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts 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 and within the last five years has not failed to comply with its continuing disclosure obligations. See "CONTINUING DISCLOSURE" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$149,995,000.00
Net Original Issue Premium	13,121,051.30
Total Sources	$163,116,051.30
Uses of Funds	
Deposit to Building Fund	$149,995,000.00
Deposit to Debt Service Fund(1)	12,251,071.30
Costs of Issuance(2)	869,980.00
Total Uses	$163,116,051.30

(1) Represents a portion of the interest on the Bonds through August 1, 2014.
(2) Payment of Underwriters' discount, Bond and Disclosure Counsel fees, Special Tax Counsel fees**,** financial advisory fees, rating agency fees and other costs of issuance.

DEBT SERVICE SCHEDULE

The first of the following two tables summarizes the principal and interest payments on the Bonds. The second table shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the Bonds, the Series 2004 Bonds, the General Obligation Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"), the General Obligation Refunding Bonds, Election of 2002, Series B (the "Series B Bonds"), the General Obligation Refunding Bonds, Election of 2002, Series B-2 (the "Series B-2 Bonds"), the General Obligation Bonds, Election of 2002, Series 2006 (the "Series 2006 Bonds"), the General Obligation Bonds, 2010 Election, 2010 Series A and 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment) (collectively, the "Series 2010 Bonds") and the General Obligation Bonds, 2010 Election, 2011 Series C (Federally

Taxable Qualified School Construction Bonds - Direct Payment) and 2011 Series D (collectively, the "Series 2011 Bonds"):

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2013	$7,105,000	$7,321,847.86	$14,426,847.86
2014	5,830,000	6,551,915.00	12,381,915.00
2015	200,000	6,519,850.00	6,719,850.00
2016	210,000	6,513,850.00	6,723,850.00
2017	420,000	6,507,550.00	6,927,550.00
2018	780,000	6,490,750.00	7,270,750.00
2019	1,200,000	6,459,550.00	7,659,550.00
2020	1,665,000	6,411,550.00	8,076,550.00
2021	2,145,000	6,344,950.00	8,489,950.00
2022	2,415,000	6,259,150.00	8,674,150.00
2023	2,890,000	6,162,550.00	9,052,550.00
2024	3,390,000	6,018,050.00	9,408,050.00
2025	4,035,000	5,848,550.00	9,883,550.00
2026	5,210,000	5,646,800.00	10,856,800.00
2027	5,690,000	5,386,300.00	11,076,300.00
2028	6,525,000	5,101,800.00	11,626,800.00
2029	6,415,000	4,775,550.00	11,190,550.00
2030	5,510,000	4,454,800.00	9,964,800.00
2031	5,340,000	4,179,300.00	9,519,300.00
2032	10,245,000	3,912,300.00	14,157,300.00
2033	12,450,000	3,400,050.00	15,850,050.00
2034	14,830,000	2,886,487.50	17,716,487.50
2035	17,485,000	2,274,750.00	19,759,750.00
2036	17,970,000	1,400,500.00	19,370,500.00
2037[*]	10,040,000	418,333.33	10,458,333.33
Total	$149,995,000	$127,247,083.69	$277,242,083.69

[1] Matures on June 1, 2037.

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DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

	2002 Authorization					2010 Authorization			
Period Ending August 1[1]	Series 2004 Bonds	Series 2006 Bonds	Series 2011 Refunding Bonds	Series B Refunding Bonds	Series B-2 Refunding Bonds	Series 2010 Bonds[2]	Series 2011 Bonds	The Bonds	Total Debt Service
2012	$ 4,004,515.63	$ 3,906,430.00	$ 3,447,237.50	$2,217,678.33	$1,054,718.26	$ 2,813,922.10	$ 700,670.31	-	$18,145,172.13
2013	4,234,781.25	4,197,180.00	3,435,487.50	2,069,000.00	1,954,562.50	2,813,922.10	533,890.00	$14,426,847.86	33,665,671.21
2014	4,191,031.25	4,155,680.00	3,437,587.50	2,066,300.00	1,954,562.50	2,813,922.10	533,890.00	12,381,915.00	31,534,888.35
2015	-	3,607,680.00	3,432,237.50	5,968,600.00	1,954,562.50	6,493,922.10	933,890.00	6,719,850.00	29,110,742.10
2016	-	3,600,817.50	3,424,387.50	5,963,800.00	1,954,562.50	5,478,190.90	968,890.00	6,723,850.00	28,114,498.40
2017	-	3,652,467.50	3,413,287.50	5,937,800.00	1,954,562.50	6,148,344.50	993,890.00	6,927,550.00	29,027,902.00
2018	-	3,660,637.50	3,420,237.50	5,910,000.00	1,954,562.50	6,857,688.20	1,028,890.00	7,270,750.00	30,102,765.70
2019	-	3,655,912.50	3,429,962.50	5,884,000.00	1,954,562.50	7,589,637.20	1,058,890.00	7,659,550.00	31,232,514.70
2020	-	3,634,275.00	3,430,675.00	5,864,750.00	1,954,562.50	8,341,776.80	1,082,640.00	8,076,550.00	32,385,229.30
2021	-	3,593,250.00	3,442,925.00	5,843,250.00	1,954,562.50	9,102,163.40	1,128,890.00	8,489,950.00	33,554,990.90
2022	-	3,526,550.00	3,456,750.00	5,825,750.00	1,954,562.50	9,961,444.80	1,336,390.00	8,674,150.00	34,735,597.30
2023	-	3,440,300.00	3,461,250.00	5,806,500.00	1,954,562.50	10,928,459.90	1,348,330.00	9,052,550.00	35,991,952.40
2024	-	3,340,400.00	3,468,750.00	-	7,849,562.50	11,933,505.70	1,337,030.00	9,408,050.00	37,337,298.20
2025	-	3,212,525.00	3,473,750.00	-	7,845,812.50	12,978,068.30	1,323,570.00	9,883,550.00	38,717,275.80
2026	-	3,058,025.00	3,481,000.00	-	7,843,062.50	14,066,678.50	822,950.00	10,856,800.00	40,128,516.00
2027	-	6,688,250.00	-	-	7,840,312.50	15,195,242.10	838,700.00	11,076,300.00	41,638,804.60
2028	-	6,469,750.00	-	-	7,845,812.50	16,390,737.50	875,625.00	11,626,800.00	43,208,725.00
2029	-	6,235,500.00	-	-	7,845,062.50	17,758,112.50	898,875.00	11,190,550.00	43,928,100.00
2030	-	14,311,250.00	-	-	-	19,304,662.50	937,075.00	9,964,800.00	44,517,787.50
2031	-	13,996,500.00	-	-	-	20,964,437.50	975,875.00	9,519,300.00	45,456,112.50
2032	-	-	-	-	-	6,817,637.50	-	14,157,300.00	20,974,937.50
2033	-	-	-	-	-	5,812,650.00	-	15,850,050.00	21,662,700.00
2034	-	-	-	-	-	6,047,050.00	-	17,716,487.50	23,763,537.50
2035	-	-	-	-	-	6,286,837.50	-	19,759,750.00	26,046,587.50
2036	-	-	-	-	-	-	-	19,370,500.00	19,370,500.00
2037	-	-	-	-	-	-	-	10,458,333.33[3]	10,458,333.33
Total	$12,430,328.13	$101,943,380.00	$51,655,525.00	$59,357,428.33	$69,624,530.76	$232,899,013.70	$19,658,850.31	$277,242,083.69	$824,811,139.92

(1) The Bond Year ends on June 1 for the Series 2006 Bonds; July 1 for the Series 2004 Bonds, the Series B Refunding Bonds and the Series B-2 Refunding Bonds; and August 1 for the Series 2011 Refunding Bonds, the Series 2010 Bonds, the Series 2011 Bonds and the Bonds (except for the Bonds maturing in 2037 which mature on June 1).
(2) Excludes the anticipated receipt of subsidy payments to be made on a portion of the Series 2010 Bonds and a portion of the Series 2011 Bonds.
(3) Matures on June 1, 2037.

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 of and interest on the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein. Subsequent to the issuance of the Bonds, $77,009,943.45 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.

THE PROJECTS

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 damage 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 Bonds to complete a heating, ventilation and air conditioning retrofit program, install new science facilities at the middle schools, replace approximately 40 portable classrooms with high efficiency occupancies, install a District-wide security system, undertake technology classroom enhancements at all District sites and certain improvements/procurements at the six comprehensive high schools, Olympic High School and the alternative high schools.

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 XIIIA 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 eleven fiscal years including the annual percent change. The District's total assessed valuation is $29,550,958,421 in fiscal year 2011-12.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2001-02 Through 2011-12

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2001-02	$19,501,805,860	$15,111,986	$899,543,508	$20,416,461,174	--
2002-03	20,950,443,237	14,591,990	942,041,048	21,892,484,285	7.23%
2003-04	22,705,133,044	6,252,431	920,522,887	23,631,908,362	7.95
2004-05	24,434,456,724	6,489,435	868,334,641	25,309,280,800	7.10
2005-06	26,500,394,364	7,186,091	942,384,927	27,449,965,382	8.46
2006-07	29,196,571,252	6,300,577	951,192,569	30,154,064,398	9.85
2007-08	31,650,036,905	4,180,952	964,357,554	32,618,575,411	8.17
2008-09	31,738,225,590	3,832,225	1,062,848,164	32,804,905,979	0.57
2009-10	29,639,009,735	3,832,225	1,051,293,746	30,694,135,706	-6.43
2010-11	28,924,776,672	7,279,811	974,038,398	29,906,094,881	-2.57
2011-12	28,609,334,442	6,768,296	934,855,683	29,550,958,421	-1.19

Source: California Municipal Statistics, Inc.

The table below presents the 2011-12 assessed valuation within the District by jurisdiction.

MT. DIABLO UNIFIED SCHOOL DISTRICT
2011-12 Assessed Valuation by Jurisdiction(1)

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Clayton	$1,672,527,948	5.66%	$1,672,527,948	100.00%
City of Concord	11,865,299,501	40.15	11,865,299,501	100.00
City of Martinez	1,548,332,918	5.24	4,239,442,013	36.52
City of Pittsburg	758,217,262	2.57	5,446,601,468	13.92
City of Pleasant Hill	4,386,936,836	14.85	4,386,936,836	100.00
City of Walnut Creek	5,109,235,931	17.29	12,331,891,031	41.43
Unincorporated Contra Costa County	4,210,408,025	14.25	29,470,710,768	14.29
Total Contra Costa County	$29,550,958,421	100.00%	$140,545,941,115	21.03

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

The table below presents the 2011-12 assessed valuation within the District by land use.

MT. DIABLO UNIFIED SCHOOL DISTRICT
2011-12 Assessed Valuation and Parcels by Land Use

	2011-12 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% of Total
Non-Residential:						
Agricultural/Rural	$ 174,133,850	0.61%	291	0.34%	280	0.34%
Commercial/Office	3,734,722,978	13.05	1,437	1.70	1,422	1.72
Vacant Commercial	77,390,005	0.27	156	0.18	124	0.15
Industrial	2,353,289,860	8.23	512	0.61	507	0.61
Vacant Industrial	64,597,177	0.23	70	0.08	69	0.08
Recreational	55,164,681	0.19	64	0.08	64	0.08
Government/Social/Institutional	119,045,876	0.42	1,499	1.77	748	0.90
Miscellaneous	78,424,186	0.27	1,382	1.64	1,147	1.38
Subtotal Non-Residential	$6,656,768,613	23.27%	5,411	6.40%	4,361	5.26%
Residential:						
Single Family Residence	$17,353,159,566	60.66%	59,956	70.94%	59,919	72.29%
Condominium/Townhouse	2,726,629,225	9.53	15,387	18.21	15,380	18.56
Rural Residential	135,957,294	0.48	226	0.27	226	0.27
Mobile Home	14,722,372	0.05	763	0.90	763	0.92
2-4 Residential Units	261,520,185	0.91	729	0.86	729	0.88
5+ Residential Units/Apartments	1,331,385,705	4.65	529	0.63	520	0.63
Vacant Residential	129,191,482	0.45	1,515	1.79	984	1.19
Subtotal Residential	$21,952,565,829	76.73%	79,105	93.60%	78,521	94.74%
Total	$28,609,334,442	100.00%	84,516	100.00%	82,882	100.00%

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

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2011-12.

MT. DIABLO UNIFIED SCHOOL DISTRICT
2011-12 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total[(1)]
1.	Tesoro Refining & Marketing Co.	Heavy Industrial	$1,293,748,643	4.52%
2.	Bank of America	Office Building	186,019,901	0.65
3.	Taubman Land Associates LLC	Regional Mall	162,719,457	0.57
4.	Sierra Pacific Properties Inc.	Office Building	141,267,016	0.49
5.	Chevron USA Inc.	Office Building	135,506,103	0.47
6.	CA-Station Landing Devel Co.	Office Building	105,689,921	0.37
7.	Transwestern Concord Corp. Center	Office Building	101,499,251	0.35
8.	Seecon Financial & Construction Co.	Office Building	93,999,456	0.33
9.	Park Regency Partners	Apartments	86,834,547	0.30
10.	Loja Pleasant Hill LLC	Apartments	81,000,000	0.28
11.	GRE Walnut Creek LLC	Office Building	73,599,870	0.26
12.	Concord Airport Plaza Assoc.	Office Building	67,199,876	0.23
13.	PMI Plaza LLC	Office Building	66,507,941	0.23
14.	Clayton Valley Shopping Center	Shopping Center	63,533,777	0.22
15.	FW CA P H Shopping Center LLC	Shopping Center	62,727,182	0.22
16.	CA-Treat Towers LP	Office Building	55,516,804	0.19
17.	San Marco Properties LLC	Apartments	52,479,333	0.18
18.	Lesher Communication Inc.	Newspaper	50,680,847	0.18
19.	Signature at Renaissance Square	Apartments	48,395,321	0.17
20.	Willows Center Concord	Shopping Center	45,030,014	0.16
			$2,973,955,260	10.40%

(1) 2011-12 total secured assessed valuation: $28,609,334,442.
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 2007-08 through 2011-12:

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

	2007-08	2008-09	2009-10	2010-11	2011-12
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Bay Area Rapid Transit District	.0076	.0090	.0057	.0031	.0041
East Bay Regional Park District	.0080	.0100	.0108	.0084	.0071
Mount Diablo Unified School District	.0424	.0455	.0493	.0600	.0612
Contra Costa Community College District	.0108	.0066	.0126	.0133	.0144
Total All Property Tax Rate	$1.0688	$1.0711	$1.0784	$1.0848	$1.0868
Contra Costa Water District (Land Only)	.0039	.0041	.0048	.0049	.0051

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 2006-07 through fiscal year 2010-11. 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 2006-07 THROUGH 2010-11

	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
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
2009-10	14,382,466.91	310,553.48	2.16
2010-11	17,101,571.50	257,674.68	1.51

(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 May 1, 2012:

MT. DIABLO UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2011-12 Assessed Valuation:	$29,550,958,421
Redevelopment Incremental Valuation:	(3,551,931,665)
Adjusted Assessed Valuation:	$25,999,026,756

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/12	
Bay Area Rapid Transit District	5.962%	$ 24,595,635	
Contra Costa Community College District	20.886	46,781,507	
Mount Diablo Unified School District	**100.000**	**309,340,057**	(1)
Mount Diablo Unified School District Community Facilities District No. 1	100.000	52,675,000	
East Bay Regional Park District	9.262	11,996,606	
Pleasant Hill Recreation and Park District	92.206	25,817,680	
City of Martinez	36.522	8,874,846	
City of Pittsburg Community Facilities District No. 2005-2	100.000	10,905,000	
City of Pleasant Hill Downtown Community Facilities District	100.000	12,705,000	
City of Clayton Community Facilities District Nos. 1990-1 and 1990-2	100.000	4,455,000	
Contra Costa County Community Facilities District No. 1998-1	100.000	2,207,412	
1915 Act Bonds (Estimated)	Various	13,761,062	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$524,114,805	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	20.793%	$ 66,413,654	
Contra Costa County Pension Obligations	20.793	83,138,731	
Contra Costa Community College District Certificates of Participation	20.886	193,196	
City of Concord General Fund Obligations	100.000	11,825,000	
City of Pleasant Hill General Fund Obligations	100.000	3,620,000	
Other City General Fund and Pension Obligations	Various	5,865,505	
Pleasant Hill Recreation and Park District Certificates of Participation	92.206	2,125,348	
Contra Costa Fire Protection District Pension Obligations	44.713	49,897,472	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$223,078,906	
Less: Contra Costa County Obligations supported by revenue funds		(25,211,532)	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$197,867,374	
GROSS COMBINED TOTAL DEBT		$747,193,711	(2)
NET COMBINED TOTAL DEBT		$721,982,179	

Ratios to 2011-12 Assessed Valuation:

Direct Debt ($362,015,057) (3) 1.23%

Total Direct and Overlapping Tax and Assessment Debt 1.77%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt 2.87%

Net Combined Total Debt 2.78%

(1) Excludes the Bonds described herein.
(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 6/30/11: $0

Source: California Municipal Statistics Inc.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

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.

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 the Debt Service Fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Debt Service Fund may only be applied to make payments of interest, principal and premium, if any, on bonds of the District. All funds held in the Debt Service Fund will be invested by the Treasurer at the direction of the District.

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 2010-11 fiscal year are 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.

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 – 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. The District's audited financial statements for the year ending June 30, 2011 are attached hereto as APPENDIX C.

District Budgets

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.

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 filed its 2010-11 First Interim Report with the Contra Costa County Office of Education (the "Office of Education") with a qualified certification within the meaning of section 42133 of the Education Code due in large part to decreased funding from the State as a result of the State budget deficit as well as to a continuing decline in average daily attendance. The District Board has subsequently approved approximately $10 million in budget reductions including furlough days and benefit caps for District employees. As a result of the budget reductions described above, the District filed its 2010-11 Second Interim Report with the Office of Education with a positive certification within the meaning of Section 42133 of the Education Code.

The District filed its 2011-12 First Interim Report with the Office of Education with a qualified certification within the meaning of Section 42133 of the Education Code due primarily to uncertainty relating to State funding and the precautionary set-aside of moneys in anticipation of certain trigger cuts by the State. While the proposed trigger cuts did not materialize, additional trigger cuts may occur with respect to the State 2012-13 budget that will also require the District to set-aside moneys. See "MT. DIABLO UNIFIED SCHOOL DISTRICT – State Budget" below for more information relating to the proposed State 2012-13 budget and related trigger cuts.

The District also filed its 2011-12 Second Interim Report with the Office of Education with a qualified certification within the meaning of section 42133 of the Education Code due primarily to factors relating to the State budget, similar to the factors affecting the 2011-12 First Interim Report. To resolve the budget difficulties, the District has identified sufficient budgeted, but unspent and unencumbered funds to reduce its projected current year expenditures in the unrestricted general fund by approximately $4,000,000. The District has also reached a tentative agreement with its Certificated Bargaining Unit that, if ratified, will assist in addressing the potential cuts to education funding proposed in the May Revision (defined below). See "MT DIABLO UNIFIED SCHOOL DISTRICT-State Budget" below for more information regarding the May Revision.

Revenues

Revenue limit sources provided approximately 59% of total revenues of the District for 2010-11 and are budgeted to provide approximately 64% of total revenues of the District for 2011-12. Federal revenues represented approximately 11% of total revenues of the District for 2010-11 and are budgeted to provide approximately 8% of total revenues of the District for 2011-12. State revenues represented approximately 25% of total revenues of the District for 2010-11 and are budgeted to provide approximately 26% of total revenues of the District for 2011-12. Local revenues represented approximately 5% of total revenues of the District for 2010-11 and are budgeted to provide approximately 3% of total revenues of the District for 2011-12.

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General Fund

The following table describes the District's audited financial results for the fiscal years 2008-09 and 2009-10 and 2010-11.

MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2008-09 and 2009-10 and 2010-11

	2008-09 Audit	2009-10 Audit	2010-11 Audit
REVENUES			
Revenue Limit Sources	$189,408,555	$165,118,381	$171,505,099
Federal Revenues	28,669,803	27,932,051	33,588,624
Other State Revenues	71,881,127	62,989,934	79,147,484
Other Local Revenues	10,126,725	12,279,895	13,360,030
TOTAL REVENUES	$300,086,210	$268,320,261	$297,601,237
EXPENDITURES			
Certificated salaries	$136,088,465	$127,856,813	$126,094,904
Classified salaries	45,559,089	44,202,482	41,645,241
Employee benefits	52,315,375	53,003,053	57,840,507
Books and supplies	10,452,524	12,110,363	9,259,030
Services and other operating expenditures	38,009,866	35,546,947	35,843,235
Capital outlay	2,229,786	934,095	1,623,364
Direct support/indirect costs	(612,867)	(715,708)	1,677,654
Other outgo	3,021,460	2,456,908	(687,701)
TOTAL EXPENDITURES	$287,063,698	$275,394,953	$273,296,234
Excess (Deficiency) of Revenues Over Expenditures	$ 13,022,512	$ (7,074,692)	$ 24,305,003
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	$ 1,758,835	$ --	$ 1,572,413
Operating Transfers Out	(1,294,106)	(7,176,802)	(3,614,453)
Sources	--	--	1,326,000
Proceeds from issuance of long-term liabilities	--	2,169,387	--
TOTAL OTHER FINANCING SOURCES (USES)	$ 464,729	$ (5,007,415)	$ (716,040)
Net Change in Fund Balances	13,487,241	(12,082,107)	23,588,963
Fund Balances at Beginning of Year	$ 33,729,884	$ 47,217,125	$ 35,135,018
Fund Balances at End of Year	$ 47,217,125	$ 35,135,018	$ 58,723,981

Source: The District.

The table below sets forth the budgets of the District for fiscal years 2009-10, 2010-11 and 2011-12 as well as the second interim report for fiscal year 2011-12.

MT. DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND
Adopted Budget for Fiscal Years 2009-10, 2010-11 and 2011-12
and Second Interim Report for Fiscal Year 2011-12

	2009-10 Adopted Budget	2010-11 Adopted Budget	2011-12 Adopted Budget	2011-12 Second Interim
REVENUES				
Revenue Limit Sources	$174,716,743	$163,258,111	$172,676,205	$171,083,964
Federal Revenues	22,746,451	20,508,626	20,338,017	29,538,326
Other State Revenues	60,890,740	67,729,805	70,074,257	67,748,604
Other Local Revenues	8,454,135	8,304,326	7,306,953	13,010,698
TOTAL REVENUES	$266,808,069	$259,800,868	$270,395,432	$281,381,591
EXPENDITURES				
Certificated Salaries	$123,663,118	$124,469,721	$124,363,411	$132,370,162
Classified Salaries	40,242,768	39,295,380	37,613,887	40,039,240
Employee Benefits	53,707,432	55,621,204	55,273,901	56,898,729
Books and Supplies	12,773,291	12,326,799	12,996,275	18,591,816
Services and Other Operating Expenditures	33,963,449	34,654,790	38,159,783	45,393,099
Capital Outlay	192,720	302,707	152,817	2,171,807
Other Outgo (excluding Transfers of Indirect Costs)	3,434,397	2,487,065	1,215,293	372,393
Other Outgo – Transfers of Indirect Costs	(764,223)	(740,508)	(679,198)	(663,413)
TOTAL EXPENDITURES	$267,212,953	$268,417,158	$269,096,169	$295,173,830
Excess (Deficiency) of Revenues Over Expenditures	$ (404,884)	$ (8,616,290)	$ 1,299,263	$ (13,792,239)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	$ --	$ --	$ --	$ --
Operating Transfers Out	(6,409,846)	(3,486,037)	(3,914,687)	(4,042,929)
Sources	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	$ (6,409,846)	$ (3,486,037)	$ (3,914,687)	$ (4,042,929)
Net Change in Fund Balances	(6,814,730)	(12,102,327)	(2,605,424)	(17,835,168)
Fund Balances at Beginning of Year	$ 47,217,126	$ 20,618,220	$ 34,821,216	$ 58,723,978
Fund Balances at End of Year	$ 40,402,396	$ 8,515,894	$ 32,215,792	$ 40,888,812

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 $10,954,293 to STRS for fiscal year 2008-09, $10,412,753 for fiscal year 2009-10 and $10,151,998 for fiscal year 2010-11. The District budgeted a contribution to STRS of $10,489,522 for fiscal year 2011-12. The District also participates in the State of California Public Employees' Retirement System ("PERS") which provides retirement benefits to classified personnel. The District contributed $4,386,622 to PERS for fiscal year 2008-09, $4,359,337 for fiscal year 2009-10 and $4,389,951 for fiscal year 2010-11. The District budgeted a contribution to PERS of $4,229,559 for fiscal year 2011-12.

Both PERS and STRS are operated on a statewide basis and, based on available information, STRS and PERS both have substantial 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 least 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, 1,034 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 each pay period at a rate that approximates the amount of premiums paid. During the fiscal years ended June 30, 2010 and June 30, 2011, expenditures of $3,837,135 and $4,086,706 were recognized for post-employment healthcare benefits, respectively. 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, 2011 is shown below:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
Mello Roos bonds:					
Series 2002[1]	$21,415,000	-	$1,255,000	$20,160,000	$1,305,000
Series 2005	13,695,000	-	565,000	13,130,000	565,000
Series 2006	24,970,000	-	1,815,000	23,155,000	1,900,000
Net issuance discount	(21,921)	-	(1,584)	(20,337)	(1,584)
General obligation bonds[2]:					
Series 2002	42,775,000	-	40,990,000	1,785,000	1,785,000
Series 2004	105,870,000	-	3,420,000	102,450,000	3,565,000
Series 2006	58,880,000	-	790,000	58,090,000	1,085,000
Series 2010	-	123,557,703	-	123,557,703	1,685,000
Series 2011 Refunding	-	37,790,000	-	37,790,000	775,000
Net issuance premium	3,480,700	6,324,209	835,041	8,969,868	521,354
Deferred amount on refunding	-	(1,345,500)	-	(1,345,500)	(89,700)
Certificates of Participation	5,440,000	-	5,440,000	-	-
Net issuance premium	29,001	-	29,001	-	-
Construction loan	5,539,042	-	99,472	5,439,570	99,472
Capitalized lease obligations	8,628,693	1,326,000	8,715,059	1,239,634	176,389
Net OPEB obligations	12,689,288	4,029,479	-	16,718,767	-
Compensated absences	3,359,989	-	317,508	3,042,481	-
Total	$306,749,792	$171,681,891	$64,269,497	$414,162,186	$13,370,931

[1] Does not include the prepayment of the Series 2002 Bonds on February 1, 2012.
[2] Does not include the Series B Refunding Bonds, the Series B-2 Refunding Bonds or the Bonds described herein.
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. On June 21, 2011, the District issued $37,790,000 principal amount of general obligation refunding bonds to refund the general obligation bonds issued on June 20, 2002. On December 29, 2011, the District issued $43,700,000 principal amount of general obligation refunding bonds to refund a portion of the general obligation bonds issued on June 10, 2004 and on April 5, 2012, the District issued

$40,540,000 principal amount of general obligation refunding bonds to refund another portion of the general obligation bonds issued on June 10, 2004. No further general obligation bonds remain to be issued under the 2002 Authorization, except for possible refunding bonds.

Pursuant to the 2010 Authorization, the District received authorization to issue $348,000,000 principal amount of general obligation bonds. On September 30, 2010, the District issued its General Obligation Bonds, 2010 Election, 2010 Series A and General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment) in the aggregate principal amount of $109,996,475 and on April 12, 2011, the District issued its General Obligation Bonds (Federally Taxable Qualified School Construction Bonds – Direct Payment) 2010 Election, 2011 Series C and General Obligation Bonds, 2010 Election, 2011 Series D in the aggregate principal amount of $10,998,581.55. Subsequent to the issuance of the Bonds, $77, 009,943.45 of general obligation bonds will remain to be issued under the 2010 Authorization. The Bonds are issued on a parity with all general obligation bonds of the District, including future general obligation bonds issued under the 2010 Authorization. See “DEBT SERVICE SCHEDULE” for the debt service payments to be made on all of the District’s outstanding general obligation bonds.

Special Tax Bonds

On June 7, 1988, the Board of Education established the Mt. Diablo Unified School District Community Facilities District No. 1 (County of Contra Costa, California) (the “CFD”). On November 7, 1989, the voters within the CFD authorized the issuance of not to exceed $90,000,000 aggregate principal amount of special tax bonds of the CFD (the “CFD Authorization”). On June 30, 2005, the CFD issued its Series 2005 Special Tax and Revenue Refunding Bonds in the aggregate principal amount of $15,760,000 (the “Series 2005 Bonds”) which refunded the CFD’s Series 1995 Special Tax Bonds and on June 14, 2006, the CFD issued its Series 2006 Special Tax Refunding Bonds in the aggregate principal amount of $29,995,000 (the “Series 2006 Bonds”) which refunded the CFD’s Series 1996 Special Tax Bonds. The Series 2005 Bonds and the Series 2006 Bonds are the only currently outstanding bonds issued under the CFD Authorization. No further bonds remain for issuance pursuant to the CFD Authorization.

Certificates of Participation

The District has no currently outstanding certificates of participation.

Capital Leases

The District leases school buses under certain capital lease agreements with payments in the amount of $104,996.32 each November and May through 2017.

MT. DIABLO UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District, the District’s finances and State funding of education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

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 2011-12 is 32,312.47 students, and the District has a 2011-12 assessed valuation of $29,550,958,421.

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 in the following table:

BOARD OF EDUCATION

Name	Office	Term Expires November
Sherry Whitmarsh	President	2014
Linda Mayo	Vice-President	2012
Lynne Dennler	Member	2014
Cheryl Hansen	Member	2014
Gary Eberhart	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
Bryan Richards	Chief Financial Officer
Gregory J. Rolen	General Counsel

Steven Lawrence, Ph.D. Superintendent Lawrence has served as Superintendant of 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.

Bryan Richards. Bryan Richards has served as the Chief Financial Officer of the District since July 1, 2010, prior to which he was the Director of Fiscal Services of the District for 1½ years. Mr. Richards also served as Business Manager for the John Swett Unified School District from 2005 to 2008. Mr. Richards is licensed as a certified public accountant by the State of Virginia and holds a Chief Business Official Certificate from the University of California, Riverside. Mr. Richards earned a Bachelor of Science in Business and Public Administration with a concentration in Accounting from the University of Virginia's College at Wise.

District Employees

The District employs approximately 1,910.75 full-time equivalent certificated academic professionals as well as 1,135.72 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 expires on June 30, 2013.

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 expires on June 30, 2013.

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 expires on June 30, 2013.

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 the District and CSEA expires on June 30, 2013.

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 declines in student enrollment and average daily attendance in the past several years. The table below sets forth the enrollment and Average Daily Attendance ("ADA") as well as the revenue limit per ADA for the District for the fiscal years ending 2008 through 2011 and an estimate for fiscal year ending June 30, 2012.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Enrollment and Average Daily Attendance
Fiscal Years 2007-08 through 2011- 12

Fiscal Year	Enrollment	ADA	Change in ADA From Prior Year	Revenue Limit Per ADA
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	34,200	32,661.65	-547.31	4,947.49
2010-11	34,088	32,536.57	-125.08	5,206.08
2011-12[1]	33,877	32,345.35	-191.22	5,207.18

(1) Estimated.
Source: The District.

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	553,372

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.

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts." The District is a revenue limit district.

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 "MT. DIABLO UNIFIED SCHOOL DISTRICT - District Growth" for a recent history of 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 Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, 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.

2011-12 State Budget. On June 30, 2011, the State budget for fiscal year 2011-12 (the "2011-12 Budget") was enacted, closing a $26.6 billion budget gap by reducing expenditures by $15 billion, targeting revenue increases of $0.9 billion and additional solutions of $2.9 billion. The remaining $8.3 billion in changes stem from the improvement in the State's revenue outlook. $27.2 billion in changes balances the 2011- 12 Budget and leaves the State with a reserve of $543 million. General fund spending totals $85.9 billion, a 6.1% reduction from 2010-11. The 2011-12 Budget includes a major realignment of public safety programs from the State to local governments. Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services and adult protective services.

The 2011-12 Budget includes $15 billion in spending reductions by: maintaining K-12 education funding at a similar level as 2010-11, reducing State Supplementary Payment grants, reducing CalWORKS grants, reducing California Department of Corrections and Rehabilitation's inmate population by 25% once realignment is fully implemented, requiring recipients of Medi-Cal health benefits to pay a share of the cost for doctor visits and other services, reducing the State's support for the University of California and California State University by 22% and 25%, respectively, requiring community college students to pay $10 more per class unit, delaying the court system's construction program for one year, eliminating the Adult Day Health Care program, Williamson Act subventions, and the refundable child care and dependent tax credit, reducing the State's workforce by 5,500 positions; and eliminating 20 boards, commissions, task forces, offices and departments, including the California Medical Assistance Commission and the Office of Insurance Advisor.

The May revision to the proposed 2011-12 Budget reflected $6.6 billion in higher tax receipts compared to the Governor's proposed 2011-12 Budget. Since the May revision to the proposed 2011-12 Budget, tax receipts were higher than expected by an estimated $1.2 billion in May and June. With the improved revenue receipts, the 2011-12 Budget projects an additional $4 billion in estimated 2011-12 revenues. In order to mitigate the risk if higher revenues do not materialize, if projected revenues fall short of expectations by more than $1 billion, an additional $600 million in cuts to higher education, health and human services and public safety would be implemented beginning in January 2012. If projected revenues fall short by more than $2 billion, an additional $1.9 billion in education reductions would be implemented – shortening the school year by seven days, eliminating the home-to-school transportation program and reducing community college apportionments.

With respect to K-12 education, the 2011-12 Budget includes total funding of $64.1 billion ($34.7 billion general fund and $29.4 billion other funds) for all K-12 education programs. For 2011-12, the Proposition 98 Guarantee (the "Guarantee") is $48.7 billion, of which $32.9 billion is general fund. This Guarantee level reflects an increase in general fund revenues in 2011-12, the expiration of a variety of short-term tax increases and the rebenching or adjustment of the Guarantee for revenue and program shifts. In 2011-12, there are four new rebenching impacts: (1) an increase of $578.1 million to ensure that the Guarantee does not decrease with the shift in motor vehicle fuel revenues, (2) an increase of $221.8 million to reflect the inclusion of mental health and out-of-home care services within the Guarantee, (3) a decrease of $1.134 billion to reflect the exclusion of child care programs, with the exception of partial-day preschool programs, from Proposition 98, and (4) a decrease of $1.7 billion to ensure that the total Guarantee is not changed due to new local revenue related to redevelopment agencies. In addition to the above adjustments, Proposition 98 is decreased $2.1 billion as a result of the reduction in general fund sales tax revenue related to the realignment of public safety programs to counties.

The 2011-12 Budget includes the following adopted solutions:

- Defer $2.1 billion in K-12 Education spending – this additional deferral maintains funding for K-12 education programs at the 2010-11 funding level.

The 2011-12 Budget includes the following Proposition 98 general fund policy and workload adjustments:

- *Shift In Mental Health Services from Counties to Schools* – The 2011-12 Budget rebenches the Proposition 98 guarantee and provides an increase of $221.8 million Proposition 98 general fund revenues to shift the responsibility for providing mental health services, including out of home residential services, required under federal law from county mental health departments and county welfare departments to school districts. School districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any excess costs over a given amount. In total, the 2011-12 Budget provides $389.4 million from all fund sources, including $69 million in federal funds currently budgeted for mental health services.

Fiscal Outlook Report. On November 16, 2011, the LAO released a report entitled "The 2012-13 Budget: California's Fiscal Outlook" (the "Fiscal Outlook Report"), which includes updated expenditure and revenue projections for fiscal year 2011-12. The following information has been adapted from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's General Fund revenues and expenditures for fiscal years 2011-12 through 2016-17 under current law, absent any actions to close the projected State budgetary deficit, as further discussed below. The LAO's projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures.

The Fiscal Outlook Report forecasts total State revenues of $84.8 billion, approximately $3.7 billion less than the $88.5 billion figure included in the 2011-12 Budget. The LAO also forecasts total expenditures of $85.3 billion, slightly below the $85.9 billion included in the 2011-12 Budget. Absent corrective action, the State faces a projected year-end deficit of approximately $3 billion, as compared to the $543 million year-end surplus assumed by the 2011-12 Budget.

The LAO's estimates with respect to fiscal year 2011-12 are informed in part by the following:

- As a result of the revised revenue forecast, the LAO assumes the implementation of $2 billion in midyear "trigger" reductions required by the 2011-12 Budget. This includes the implementation of all first tier trigger reductions, totaling $600 million. The LAO also assumes the implementation of approximately $1.4 billion of second tier trigger reductions, including a $248 million reduction in home-to-school transportation funding, a $72 million reduction to community college apportionments, and a $1.1 billion reduction to K-12 revenue limit funding. The reduction to revenue limit funding reflects a pro-rated implementation of the second tier trigger reductions, based on the LAO's revenue forecast. The final extent of the reductions will be determined by the State Department of Finance, once it releases its December 2011 revenue forecast.

- The LAO's forecast generally assumes that the State will prevail in current, on-going litigation regarding certain provisions of the 2011-12 Budget. See "—Litigation Challenging State Funding of Education" below. However, the LAO assumes that the State will only realize $1.4 billion of additional general fund revenues from the elimination of redevelopment agencies, rather than the $1.7 billion figure included in the 2011-12 Budget.

- The Fiscal Outlook Report does not assume the passage of the Governor's proposed tax extensions at the November 2012 election. The LAO notes that, under the provisions of the 2011-12 Budget, if no such ballot measure is passed, the State would be required to provide an additional $2 billion of settle-up payments to K-12 education, reflecting a like increase to the Proposition 98 minimum funding guarantee for fiscal year 2011-12.

- The LAO also assumes (i) higher Medi-Cal costs of approximately $400 million, and (ii) that the State will be unable to reduce departmental costs by $250 million, as projected by the 2011-12 Budget.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov. However, such information is not incorporated herein by any reference.

The District cannot predict how State income or State education funding will vary over the term of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Proposed 2012-13 Budget. On January 5, 2012, the Governor released his proposed State budget for fiscal year 2012-13 (the "Proposed Budget"). On January 11, 2012, the LAO released its summary of the Proposed Budget. The following information is drawn from the LAO's summary.

The Proposed Budget estimates that, absent corrective action, the State will end 2011-12 with a total deficit of $4.1 billion. For fiscal year 2012-13, the Proposed Budget projects that State expenditures will exceed baseline revenues by approximately $5.1 billion, bringing the total deficit to $9.2 billion.

To bridge the gap, the Proposed Budget includes $10 billion of proposed measures affecting both fiscal years 2011-12 and 2012-13. These measures include $4 billion of expenditure reductions, $4.6 billion of revenue increases, and $1.4 billion of other solutions. With the implementation of all measures, the Proposed Budget assumes, for fiscal year 2011-12, year-end revenues of $85.5 billion and expenditures of $86.5 billion. The State is also projected to end fiscal year 2011-12 with a budget deficit of $1.7 billion. For fiscal year 2012-13, the Proposed Budget projects total available revenues of $94.4 billion and would authorize total expenditures of $92.6 billion. The State is also projected to end the year with a $1.1 billion reserve. As with the 2011-12 Budget, the Proposed Budget assumes an accelerated approval process with a target date of March 1 for the Legislature to approve some or all of the Governor's proposals.

The LAO notes that the cornerstone of the Proposed Budget is voter approval of temporary tax increases at the November 2012 election. The Governor proposes to increase personal income tax

("PIT") rates on the State's wealthiest taxpayers by 1%, 1.5% or 2%, depending on filing status and total income, as well as temporary increase of the State sales and use tax by 0.5%. These tax increases are projected to generate an additional $2.2 billion in fiscal year 2011-12 and $4.7 billion in fiscal year 2012-13.

The Proposed Budget would also authorize $5.4 billion in trigger cuts, to be implemented if these proposed tax increases are rejected by the voters. The trigger cuts include (i) a total reduction to the Proposition 98 minimum funding guarantee of $4.8 billion (including $2.4 billion in programmatic funding), (ii) a $200 million reduction to each of the University of California and California State University systems, (iii) a $125 million reduction to State courts, (iv) a $15 million reduction to the Department of Forestry and Fire Protection, (v) a $7 million reduction to Department of Water Resources flood control programs, (vi) a $1 million reduction to Department of Justice law enforcement programs, and (vii) unallocated reductions to the Department of Fish and Game ($4 million) and Department of Parks and Recreation ($2 million). If implemented, these cuts would become effective as of January 1, 2013.

Assuming the passage of the Governor's tax proposals, the Proposition 98 minimum funding guarantee for fiscal year 2011-12 would be set at $47.6 billion, including $32.6 billion from the State general fund. For fiscal year 2012-13, the Proposed Budget would set total Proposition 98 funding at $52.5 billion, including $37.5 billion from the State general fund. This would represent a net increase of $4.9 billion (or 10%) from the prior year.

To arrive at these funding levels, the Proposed Budget makes a permanent adjustment, or "rebenching," to the Proposition 98 minimum funding guarantee to reflect a $1 billion increase in local property taxes resulting from the elimination of redevelopment agencies pursuant to ABx1 26. These increased property taxes would offset State general fund expenditures on K-14 education. The minimum funding guarantee would also be decreased by $544 million, primarily by reversing the existing policy that holds the minimum funding guarantee harmless from the elimination of the sales tax on gasoline.

Significant features of the Proposed Budget as it relates to the funding of education include the following:

- *Cost-of-Living Adjustment.* The Proposed Budget would not provide a cost-of-living adjustment for any K-14 program during fiscal year 2012-13.

- *Apportionment Deferral Reduction.* Proposition 98 funding would be increased by $2.2 billion during fiscal year 2012-13 to restore K-12 State apportionments that are currently subject to a deferral. The Proposed Budget indicates this funding is contingent on the passage of the Governor's proposed tax increases.

- *Categorical Program Flexibility; Weighted Per-Pupil Funding.* To assist with local budget constraints, the Proposed Budget would suspend educational requirements for almost all categorical programs, essentially phasing out most existing categorical programs beginning in 2012-13 (except for certain federally required programs such as special education and child nutrition). The Proposed Budget would also replace the existing revenue limit and categorical program funding models with a single, weighted pupil funding formula, to be phased in over the next five fiscal years. Under this new funding model, school districts would receive an equal base per-pupil amount, plus additional general purpose funding intended to serve disadvantaged students. School districts and charter schools with larger disadvantaged student populations would receive supplemental funding. A performance component would also be added, to provide fiscal incentives for school districts to improve or sustain academic performance. School districts would have local discretion in deciding how to spend weighted per-pupil funding.

- *Child Care.* The Proposed Budget would reduce funding for subsidized child care programs by approximately $450 million, representing a reduction of approximately 30%. The bulk of this reduction (approximately $300 million), would be implemented by reducing eligibility to families that meet certain work participation requirements. Reductions to child care funding are part of the Proposed Budget's overall plan to restructure the CalWORKs program and reduce State general fund support for this program by approximately $1.4 billion.

- *K-14 Mandates.* The Proposed Budget also includes a proposal to eliminate 31 of 57 existing K-14 educational mandates. The remaining 26 educational mandates would be suspended, though school districts and community college districts could undertake the activities required by these remaining mandates in exchange for additional funding. Such additional funding would be provided through a new $200 million block grant, composed of $178 million in funding for school districts and $22 million for community college districts. Districts that choose to receive this funding would receive a per-student allocation. The Proposed Budget indicates that an auditing and compliance process will be established to ensure grant recipients undertake the required activities.

- *Non-implementation of Transition Kindergarten Program.* The Proposed Budget would eliminate the requirement that school districts provide an additional year of education to children that miss the new, September 1 cutoff for enrollment in kindergarten. As a result, the Proposed Budget assumes a savings of $224 million in fiscal year 2012-13, growing to approximately $675 million by 2014-15.

The LAO indicates that several of the Governor's proposals have merit, particularly the increased categorical program flexibility, weighted per-pupil funding, and the non-implementation of the transitional kindergarten program. However, the LAO expresses concern regarding several features of the Proposed Budget. The LAO notes that the Proposed Budget's baseline revenue projections are higher than those calculated by the LAO as part of its November 2011 revenue forecast. See "—Fiscal Outlook Report" above. Specifically, the Proposed Budget projects $1.5 billion more of such revenues in 2011-12, and $3.2 billion more in 2012-13. The LAO indicates that this variance is due largely to differences in how the LAO and the Department of Finance project PIT collections from high-income taxpayers. Accordingly, the LAO indicates that the Proposed Budget may overstate growth in State revenues in future years, including the projected revenue growth that would result from the Governor's proposed tax increases. With respect to fiscal year 2012-13, the LAO projects that these proposed tax increases would generate $2.1 billion less than what is assumed by the Proposed Budget.

The LAO also expresses concerns regarding the uncertainty generated by the proposed trigger cuts to education funding. The LAO notes that school districts and community college districts have limited ability to downsize operations midyear, and as such would likely be unable to beat the brunt of the proposed trigger reductions. Districts will therefore be compelled to adopt budgets that assume the trigger reductions are implemented, resulting in the overall programmatic reductions the Proposed Budget seeks to avoid.

Additional information regarding the Proposed Budget is available from the LAO's website: www.lao.ca.gov. However, such information is not incorporated herein by any reference.

May Revision to the Proposed Budget. On May 14, 2012, the Governor released his May revision to the Proposed Budget for fiscal year 2012-13 (the "May Revision"). The following information is drawn from the Department of Finance's summary of the May Revision.

Since the release of the Proposed Budget, the May Revision estimates that the budget deficit grew from $9.2 billion to $15.7 billion. Absent remedial actions, the State is now projected to end the 2011-12 fiscal year with a $7.6 billion deficit. For fiscal year 2012-13, the May Revision projects that expenditures will exceed revenues by $8.1 billion. The May Revision attributes the increase in the budget deficit to (i) lower than expected tax collections during the first part of 2012, (ii) increases in Proposition 98 spending requirements resulting from year-to-year increases in available revenues and reduced property tax estimates, and (iii) federal and legal challenges to proposed spending reductions to the Medi-Cal and In-Home Supportive Services programs.

To address this budget gap, the May Revision proposes $4.1 billion of additional spending reductions beyond those included in the Proposed Budget, for a total of $8.3 billion. Total proposed measures also include $5.9 billion in revenue increases and $2.5 billion in other measures, for a total projected budget solution of $16.7 billion. Assuming the implementation of all measures, the May Revision projects, for fiscal year 2011-12, year-end revenues of $86.8 billion and expenditures of $86.5 billion. The State is projected to end the 2011-12 fiscal year with a deficit of $3.3 billion. For fiscal year 2012-13, the May Revision projects total revenues of $95.7 billion and expenditures of $91.3 billion, and projects that the State will end the fiscal year with a surplus of $1 billion.

The May Revision incorporates the terms of the March Revenue Initiative of the Governor's tax initiative for November 2012. Personal income taxes on the State's wealthiest taxpayers would be increased for a period of seven years, and the sales and use tax would be increased by 0.25% for a period of four years. The initiative is expected to generate approximately $8.5 billion of gross tax revenues through 2012-13, and reflects an increase of $1.6 billion from that assumed by the Proposed Budget. After factoring for an attendant increase in the Proposition 98 minimum funding guarantee of $2.9 billion, the net benefit to the State general fund is expected to be $5.6 billion.

The May Revision also includes a revised set of trigger reductions totaling $6.1 billion that would take effect in the event the Governor's tax initiative is rejected by voters. The proposed triggers include (i) a total reduction of $5.5 billion to Proposition 98 funding, including $2.7 billion in programmatic funding; (ii) a $250 million reduction to each of the University of California and California State University systems; and (iii) a $50 million reduction to developmental services. In the event the trigger reduction to Proposition 98 funding is implemented, school districts would be provided flexibility to reduce the school year by a combined total of 15 days in fiscal years 2012-13 and 2013-14. Other triggers include reductions in funding for the Department of Parks and Recreation, the Department of Forestry and Fire Protection, fish and game wardens, local water safety patrols, law enforcement grants, and flood control programs.

Assuming the passage of the Governor's tax proposals, the Proposition 98 minimum funding guarantee for fiscal year 2011-12 would be $47 billion, including $32.5 billion from the general fund. For fiscal year 2012-13, the Proposed Budget would set total Proposition 98 funding at $53.7 billion, including $37.7 billion from the general fund. In setting these funding levels, the May Revision makes a series of adjustments and additions to the Proposed Budget, as follows:

- *Redevelopment Revenues.* The May Revision now assumes a $1.2 billion increase in local property taxes to offset State general fund expenditures on education reflecting the distribution of cash assets previously held by redevelopment agencies.

- *Rebenching of Minimum Funding Guarantee*. The May Revision now proposes to decrease the Proposition 98 minimum funding guarantee by $559 million, primarily by reversing the existing policy that holds the minimum funding guarantee harmless from the elimination of the sales tax on gasoline. The May Revision also redesignates a $785.3 million overappropriation of the minimum funding guarantee for fiscal year 2011-12 towards the payment of settle-up debt owed to schools and to prepay a legal settlement in connection with litigation under the Quality Education Investment Act.

- *Apportionment Deferral Reduction.* The May Revision provides $393 million in additional funding during fiscal year 2012-13 to restore State apportionment funding currently subject to deferrals, reducing mid-year budgetary deferrals from $9.5 billion to $6.9 billion. The May Revision indicates this funding is contingent on the passage of the Governor's tax initiative.

- *Local Property Tax Adjustments.* The May Revision now assumes an increase of $459 million in fiscal year 2011-12 and $398 million in fiscal year 2012-13 to school district and county office of education revenue limits resulting from lower offsetting property tax revenues.

- *Charter Schools.* The May Revision includes an increase of $3.4 million in Proposition 98 general fund support for charter school categorical programs due to charter school growth.

- *Revenue Limit Funding.* The May Revision includes an increase of $122 million in fiscal year 2011-12 and $169 million in fiscal year 2012-13 to school district and county office of education revenue limits as a result of projected increases in ADA.

- *Transitional Kindergarten Program.* The May Revision now projects a general fund savings of $91.5 million from the elimination of the Transitional Kindergarten Program, reflecting a decrease of $132.2 million from the savings projected by the Proposed Budget. The May Revision attributes the change to anticipated declining enrollment costs as well as an expected increase in two-year kindergarten costs. The May Revision redirects the anticipated savings from the elimination of this program towards restoring reductions to the reimbursement rate for part-day preschool programs including the Proposed Budget and to expand low-income family access to part-day preschools.

- *Child Care*. The May Revision maintains the Proposed Budget's reductions to subsidized child care programs, but reduces the number of child care slots that will be eliminated. The May Revision also makes certain adjustments to address concerns that non-cash aided families engaged in education or training would be disproportionately affected.

- *K-14 Mandates*. The May Revision retains the proposal to eliminate certain K-14 education mandates, as well as the proposal to fund the remaining education mandates through a block grant. The May Revision makes certain changes to the block grant program to distribute funding to school districts, county offices of education, charter schools and community college districts equally based on ADA or full-time equivalent students, as applicable. Of the $200 million proposed block grant, $166.6 million would be available for school districts, and $33.4 million would be available for community college districts. The May Revision would also eliminate the existing claiming process as an option to seek reimbursement for mandates, and would permanently repeal the six most costly mandates. The remaining mandates slated for elimination would be suspended in fiscal year 2012-13 until subsequent legislation is introduced to permanently repeal those activities.

- *Weighted Per-Pupil Funding*. The May Revision retains the proposal to implement a weighted student funding formula to replace the existing school finance system, but makes certain modifications based on concerns raised by the education community including an increase in the base grant portion of the formula to a rate approximately equal to the current average revenue limits for unified school districts.

Additional information regarding the May Revision is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated herein by any reference.

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. With the aid of Proposition 25 (budget passage with a simple majority and legislature forfeiture of daily salary until the budget bill passes), the Governor signed the 2011-12 Budget on June 30, 2011. However, the State Legislature failed to pass a State budget for fiscal year 2010-11 until October 8, 2010, the latest budget in the State's history. The District cannot fully anticipate the impact of future delays in State budget adoption. 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.

Litigation Challenging State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution.

On January 14, 2011, the Superior Court dismissed major portions of the Robles Complaint, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State but rejecting that part that claimed that the State constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim but allowed them to amend their complaint, if filed by August 25. On August 22, 2011, the Superior Court granted the plaintiffs' request for an extension of time to file their amended complaint until September 26, 2011. No amended complaint was filed. Accordingly, the Superior Court dismissed all of the plaintiffs' claims and entered a judgment on November 3, 2011. On January 24, 2012, the plaintiffs filed a notice of appeal to the Court of Appeal of the State of California, First Appellate District, from the judgment entered on November 3, 2011.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the City and County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. See "MT. DIABLO UNIFIED SCHOOL DISTRICT – State Budget" above. The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District is not a party to the Robles Complaint or the CSBA Petition. The District cannot predict whether any of the plaintiffs listed in the Robles Complaint or the CSBA Petition will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint or the CSBA Petition would affect the financial status of the District or the State.

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. Christy White, A Professional Accountancy Corporation, San Diego, California, serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2011, are attached hereto as APPENDIX C. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

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 10% 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 10% 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 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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.

Propositions 1A and 22

Proposition 1A (SCA 4) 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 from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, 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.

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to the LAO analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 would be approximately $1 billion in fiscal year 2010–11, with an estimated immediate fiscal effect equal to approximately 1 % of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately $1 billion annually for several decades.

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 2% 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 2010-11, the District received $4,726,168 in State Lottery aid and has budgeted $4,652,661 for such aid in 2011-12. 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% 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. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. 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.

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 or a Mello-Roos Community Facilities District bond in the future, 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 26 and 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 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, Finance Building, Room 100, 625 Court Street, Martinez, California 94553.

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 2011. 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 December 31, 2011, over 83% or over $1.70 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 186 days. A detailed description of the composition, cost, par value and market value of the County Pool is provided in the following table.

CONTRA COSTA COUNTY INVESTMENT POOL
As of December 31, 2011

TYPE	PAR VALUE	COST	FAIR VALUE	PERCENT OF TOTAL COST
A. Investments Managed by Treasurer's Office				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$12,987,000.00	$13,127,835.76	$13,249,418.10	0.64%
2. U.S. Agencies				
Federal Agriculture Mortgage Corporation	4,272,000.00	4,536,864.00	4,283,347.50	0.22%
Federal Home Loan Banks	66,575,000.00	67,215,468.41	68,005,415.65	3.28%
Federal National Mortgage Association	75,914,000.00	77,738,357.85	77,686,252.85	3.79%
Federal Farm Credit Banks	6,637,000.00	6,720,229.82	6,656,119.38	0.33%
Federal Home Loan Mortgage Corporation	115,986,000.00	117,451,107.85	118,109,148.30	5.73%
Municipal Bonds	1,130,000.00	1,264,413.10	1,264,413.10	0.06%
Subtotal	270,514,000.00	274,926,441.03	276,004,696.78	13.40%
3. Money Market Instruments				
Bankers Acceptances	15,000,000.00	14,981,800.00	14,999,033.33	0.73%
Repurchase Agreement	73,553,000.00	73,553,000.00	73,553,000.00	3.59%
Commercial Paper	555,025,000.00	554,089,420.59	554,407,917.97	27.01%
Negotiable Certificates of Deposit	382,775,000.00	382,776,863.12	382,874,482.88	18.66%
Corporate Notes	107,505,000.00	108,926,064.51	109,051,107.05	5.31%
Time Deposit	3,200.00	3,200.00	3,200.00	0.00%
Subtotal	1,133,861,200.00	1,134,330,348.22	1,134,888,741.23	55.30%
TOTAL (Section A.)	1,417,362,200.00	1,422,384,625.01	1,424,142,856.11	69.34%
B. Investments Managed by Outside Contractors				
1. Local Agency Investment Fund	419,695,254.19	419,695,254.19	419,695,254.19	20.46%
2. Other				
a. EBRCS Bond	2,455,113.76	2,455,113.76	2,455,113.76	0.12%
b. Miscellaneous (BNY, Mechanics, CCFCU)	287,100.76	287,100.76	287,100.76	0.01%
c. Wells Capital Management	44,457,219.24	44,969,411.22	44,862,949.22	2.19%
d. BofA Global Capital Management	37,363,845.18	38,067,943.41	37,873,331.91	1.86%
e. CalTRUST (Short-Term Fund)	62,125,059.88	62,125,059.88	62,125,059.88	3.03%
f. CalTRUST (Heritage MMkt Fund)	-	-	-	-
Subtotal	146,688,338.82	147,904,629.03	147,603,555.53	7.21%
TOTAL (Section B.)	566,383,593.01	567,599,883.22	567,298,809.72	27.67%
C. Cash	61,231,921.65	61,231,921.65	61,231,921.65	2.99%
***GRAND TOTAL (FOR A , B, & C)**	$2,044,977,714.66	$2,051,216,429.88	$2,052,673,587.48	100.00%

* Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

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 2011-12 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). In the past five years, the District has never failed to comply with its continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Matt Juhl-Darlington & Associates, Chico, 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 form of which is attached hereto as Exhibit A-1. 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, a form of which is attached hereto as Exhibit A-2. Matt Juhl-Darlington & Associates is also acting as Disclosure Counsel to the District. Kutak Rock LLP is acting as counsel to the Underwriters (“Underwriters’ Counsel”). Bond Counsel, Disclosure Counsel, Special Tax Counsel and Underwriters’ Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

TAX MATTERS

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 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; provided, 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, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. 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 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which 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. If the initial offering price to the public (excluding bond houses and brokers) at which 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. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax 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 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 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 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 Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 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 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 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 Bonds.

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

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 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 Bonds other than as expressly described above.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion.

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

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.

RATING

Moody's Investors Service ("Moody's") has assigned its underlying municipal bond rating of "Aa3" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained as follows: Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such rating 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 agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus, as representative of itself and George K. Baum & Company, has agreed to purchase the Bonds at the purchase price of $162,246,071.30 (reflecting the principal amount of the Bonds plus a net original issue premium in the amount of $13,121,051.30 less an Underwriters' discount of $599,980.00 and payment of certain costs of issuance in the amount of $270,000.00), at the rates and yields shown on the cover hereof.

The Underwriters may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the 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.

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 Resolutions 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/ Dr. Steven Lawrence
Superintendent

APPENDIX A-1

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

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

Re: $149,995,000 Mt. Diablo Unified School District General Obligation Bonds, 2010 Election, 2012 Series E

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 $149,995,000 aggregate principal amount of the District's General Obligation Refunding Bonds, 2010 Election, 2012 Series E (the "Bonds"). The Bonds are issued pursuant to the Education Code of the State of California (commencing at Section 15426), as amended and that certain resolution adopted by the Board of Education of the District on April 23, 2012 (the "District Resolution") and that certain resolution adopted by the Board of Supervisors of the County of Contra Costa on May 8, 2012, (the "Bond Resolution" and together with the District Resolution, the "Resolutions"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolutions.

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 Resolutions. 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 Resolutions 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 effect on 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 general 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 District Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bond Resolution has been duly adopted and constitutes a valid and binding obligation of the County enforceable against the County in accordance with its terms.

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,

Matt Juhl-Darlington & Associates

APPENDIX A-2

FORM OF SPECIAL TAX COUNSEL OPINION

_______, 2012

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

OPINION: $149,995,000 Mt. Diablo Unified School District (Contra Costa County, California) General Obligation Bonds, 2010 Election, 2012 Series E

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 "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 Bonds are issued pursuant to a resolution of the Board of Education of the District adopted on April 23, 2012 and a resolution adopted by the Board of Supervisors of the County of Contra Costa on May 8, 2012. 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 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 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

1. The interest on the 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, as amended, that must be satisfied subsequent to the issuance of the 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 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the 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 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 1,065,117 as of January 1, 2012.

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 2007 through 2012 is presented in the following table.

CITIES OF PLEASANT HILL, CONCORD AND WALNUT CREEK
AND THE COUNTY
Calendar Years 2007 through 2012

Year	City of Pleasant Hill	City of Concord	City of Walnut Creek	Contra Costa County
2007	32,421	120,049	63,302	1,015,672
2008	32,793	120,592	63,339	1,027,264
2009	32,963	121,285	63,786	1,038,390
2010	33,139	122,009	64,140	1,047,948
2011	33,279	122,676	64,707	1,056,064
2012	33,440	123,206	65,233	1,065,117

Data shown as of 2000 Census benchmark for 2007 through 2009 and as of 2010 Census benchmark for 2010 through 2012.
Source: California State Department of Finance.

Employment

The civilian labor force in the County consists of an average of 524,100 workers as of 2011. The total employment component of the labor force is 469,600. County residents seeking employment averaged 54,500 during 2011.

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

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[2]
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
2010				
Contra Costa County	522,400	463,700	58,700	11.2
California	18,176,200	15,916,300	2,259,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
Contra Costa County	524,100	469,600	54,500	10.4
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9

(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.

[Remainder of page intentionally left blank]

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
California State Auto Association	5,000-9,999	Walnut Creek	Automobile Clubs
Chevron Corp	5,000-9,999	San Ramon	Oil Refiners (Manufacturers)
BART	1,000-4,999	Richmond	Transit Lines
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 Health Physical Rehab.	1,000-4,999	Concord	Rehabilitation Services
John Muir Medical Center	1,000-4,999	Concord	Hospitals
John Muir Medical Center	1,000-4,999	Walnut Creek	Hospitals
Kaiser Permanente Medical Center	1,000-4,999	Walnut Creek	Hospitals
Kaiser Permanente Medical Center	1,000-4,999	Martinez	Clinics
La Raza Market	1,000-4,999	Richmond	Grocers-Retail
St. Mary's College of California	1,000-4,999	Moraga	Schools – Universities & Colleges Academic
Bayer Healthcare Pharmaceuticals	500-999	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc.	500-999	Hercules	Biological Products (Mfrs)
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
Robert Half Intl	500-999	San Ramon	Employment Contractors-Temporary Help
San Ramon Regional Medical Center	500-999	San Ramon	Hospital
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, 2012 2nd Edition.

Industry

The table on the following page shows the estimated employment by industry group for 2006 through 2010, the most recent data available.

COUNTY OF CONTRA COSTA
NON-AGRICULTURAL EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES[1]
2006 through 2010 by Class of Work

	2006	2007	2008	2009	2010
Goods Producing	50,400	49,700	46,500	40,200	36,500
Wholesale and Retail Trade	53,100	53,500	52,500	49,000	47,700
Transportation and Public Utilities	8,400	8,800	8,900	8,400	7,800
Professional and Business Services	50,600	49,400	49,300	45,900	43,700
Finance, Insurance, and Real Estate	32,100	29,100	26,600	25,600	25,600
Other Services	12,200	12,500	12,400	11,700	11,700
Government	48,900	52,200	52,600	51,800	48,900
Non Agriculture Total	343,800	346,800	339,500	320,900	311,600

[1] Excludes Manufacturing, Educational and Health Services and Leisure and Hospitality industries
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 2006 through 2010. The valuation of non-residential permits includes both private commercial construction and publicly funded, non-tax generating projects.

COUNTY OF CONTRA COSTA
Building Permit Valuations and Number of Dwelling Units
2006 through 2010

	2006	2007	2008	2009	2010
Valuation(1)					
Residential	$1,451,820	$1,216,666	$661,935	$504,632	$552,365
Nonresidential	412,505	491,318	459,935	314,305	285,419
Total	$1,864,325	$1,707,984	$1,121,870	$818,937	$837,784
Number of New Dwelling Units					
Single Family	3,310	2,698	985	1,038	808
Multiple Family	1,178	909	909	163	890
Total	4,488	3,607	1,894	1,201	1,698

(1) Valuation in thousands.
Source: Construction Industry Research Board.

Commercial Activity

Taxable transactions in the County occur in an extensive variety of commercial stores. Transactions from 2006 through 2010 are summarized on the following page.

COUNTY OF CONTRA COSTA
Taxable Sales

	2006	2007	2008	2009	2010
Sales Tax Permits	23,249	23,181	23,149	21,395	21,784
Taxable Sales (in thousands)	$13,867,661	$14,086,295	$13,307,681	$11,883,049	$ 11,953,846

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.

APPENDIX C

MT. DIABLO UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2011

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2011

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
OF CONTRA COSTA COUNTY

CONCORD, CALIFORNIA

JUNE 30, 2011

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-nine elementary schools, ten middle schools, and six high schools. This District also maintains two special education schools, one continuation education high school, five necessary small high schools, one independent study school and two adult education centers.

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

GOVERNING BOARD

Member	Office	Term Expires
Gary Eberhart	President	December 2012
Sherry Whitmarsh	Vice-President	December 2012
Linda Mayo	Member	December 2014
Lynne Dennler	Member	December 2014
Cheryl Hansen	Member	December 2014

DISTRICT ADMINISTRATORS

Steven Lawrence, Ph.D.
Superintendent

Rose Lock
Assistant Superintendent-Student Achievement and School Support

Julie Braun Martin
Assistant Superintendent-Personnel Services

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

Bryan Richards
Chief Financial Officer

Gregory J. Rolen, Esq.
General Counsel

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
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Board of Trustees
Mount Diablo Unified School District
Concord, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of and for the year ended June 30, 2011, 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; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. 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 the 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the 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 30, 2011 on our consideration of the Mount Diablo Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 3 through 10, the budgetary comparison schedule on pages 51, and the schedule of funding progress on page 52 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, which consisted 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Diablo Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U. S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements – Non-Major Governmental Funds 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 basic financial statements taken as a whole.

Christy White Accountancy Corporation

San Diego, California
November 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

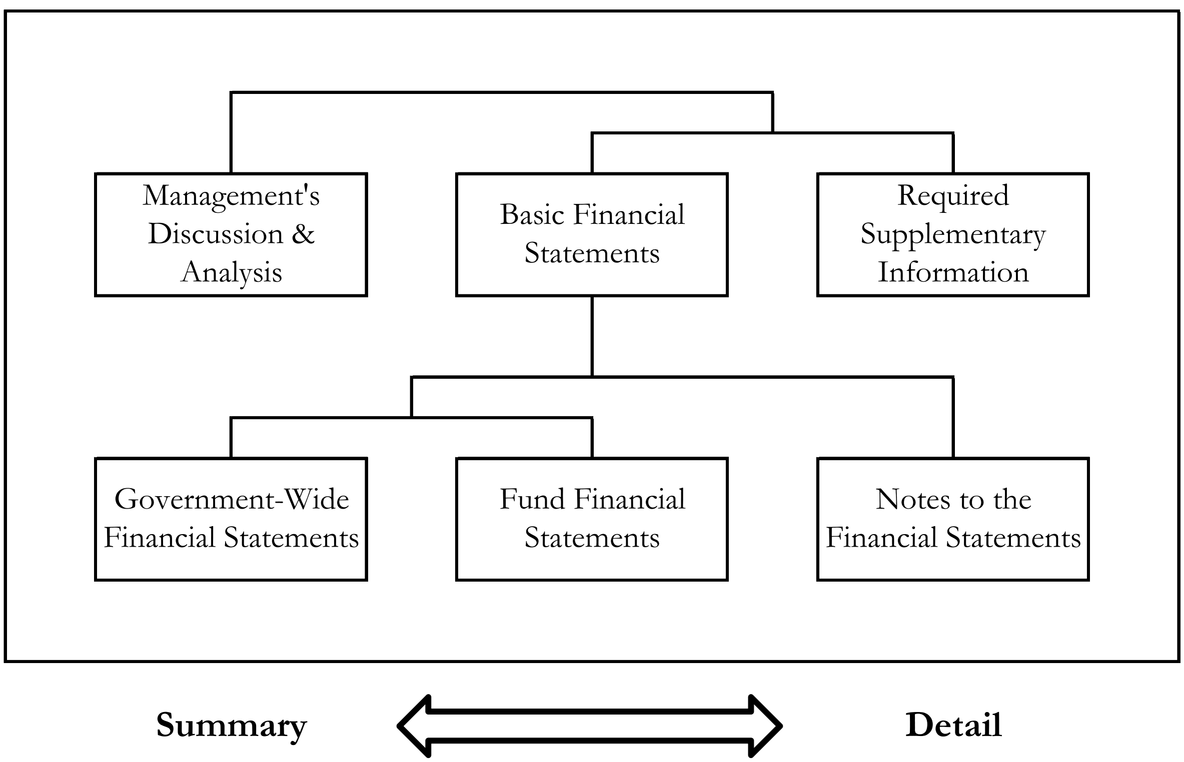
Our discussion and analysis of Mount Diablo Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were $202,703,559 at June 30, 2011. This was an increase of $9,730,489 over the prior year.
- Overall revenues were $339,436,434, which exceeded expenses of $329,705,945.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

    - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The District experienced an increase in net assets. To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and state governments, and condition of facilities.

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were $202,703,559 at June 30, 2011, as reflected in Table A-1 below. Of this amount, $22,555,279 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations.

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
Current assets	$ 133,528,242	$ 240,293,612	80%
Noncurrent assets	401,669,810	405,249,798	1%
Total assets	535,198,052	645,543,410	21%
Current liabilities	45,996,893	42,048,596	-9%
Noncurrent liabilities	296,228,089	400,791,255	35%
Total liabilities	342,224,982	442,839,851	29%
Invested in capital assets, net of related debt	152,519,771	123,136,564	-19%
Restricted	36,811,453	57,011,716	55%
Unrestricted	3,641,846	22,555,279	519%
Total net assets	$ 192,973,070	$ 202,703,559	5%

District government-wide assets and liabilities increased primarily due to school construction and modernization related to the issuance Measure C Bonds.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

As shown in Table A-2 below, the District's total revenues were $339,436,434. The majority of the revenue comes from revenue limit, property taxes, and federal and state aid (70%). Program revenues were approximately 28% of the District's total revenue. Miscellaneous local sources accounted for the remaining 2%.

The total cost of all programs and services was $329,705,945. The District's expenses are predominately related to educating and caring for students (67%). Pupil Services (including transportation and food) account for 10% of expenses. Administrative activities accounted for just 3% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 8% of all costs. The remaining expenses were for ancillary services, community services, and other outgo (12%).

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
Revenues:			
Program revenues			
Charges for services	$ 5,447,641	$ 5,215,146	-4%
Operating grants and contributions	78,430,335	90,107,950	15%
Capital grants and contributions	105,363	51,857	-51%
General revenues			
Property taxes	116,884,473	119,081,231	2%
Other revenues	105,563,457	124,980,250	18%
Total revenues	306,431,269	339,436,434	11%
Expenses:			
Instructional services	221,760,445	220,390,366	-1%
Pupil support services	31,429,841	32,963,322	5%
Maintenance and operations	29,056,529	26,898,792	-7%
Administration	12,495,979	11,048,988	-12%
Other expenses	32,942,804	38,404,477	17%
Total expenses	327,685,598	329,705,945	1%
Change in net assets	$(21,254,329)	$ 9,730,489	146%

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

As reported in the Statement of Activities on page 12, the cost of all our governmental activities this year was $329,705,945 (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only $234,330,992 because the cost was paid by those who benefited from the programs ($5,215,146), and by other governments and organizations who subsidized certain programs with grants and contributions ($90,159,807).

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

	Total Cost of Services	Net Cost of Services
Instructional services	$ 220,390,366	$ 153,161,889
Pupil support services	32,963,322	15,379,336
Maintenance and operations	26,898,792	25,367,684
Administration	11,048,988	7,583,179
Other expenses	38,404,477	32,838,904
Total expenses	$ 329,705,945	$ 234,330,992

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 $218,538,522, which is greater than last year's ending fund balance of $100,388,427. The District's General Fund had $24,305,003 more in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

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

CURRENT YEAR BUDGET 2010-11 (continued)

Budget adjustments to revenues and expenditures for the year include:

- Award of various Federal and state grants not included in the original adopted budget
- A supplemental allocation of State Fiscal Stabilization Funds
- Utilization of the Federal Education Jobs Funds
- An allocation of prior year Special Disabilities Adjustment funding from the state
- An appropriation of the prior year Mandated Costs reimbursements
- The implementation of three furlough days during 2010-11
- The establishment of caps to medical contributions for classified bargaining units and management
- The sale of bonds for various capital construction projects

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As shown in Table A-4, by the end of 2010-11 the District had invested $579,501,616 in capital assets. The current year additions are due to school modernization and construction related to the Measure C bond measure approved by the voters of the District.

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
Land	$ 14,436,462	$ 14,436,462	0%
Site improvements	22,066,045	23,153,547	5%
Buildings	509,231,931	511,164,488	0%
Furniture and equipment	15,613,539	17,133,169	10%
Construction in progress	2,414,952	13,613,950	464%
Total capital assets	$ 563,762,929	$ 579,501,616	3%

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had $414,162,186 in long-term debt, an increase of 35% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
General obligation bonds	$ 211,005,700	$ 331,297,071	57%
Mello-Roos bonds	60,058,079	56,424,663	-6%
Certificates of participation	5,469,001	-	-100%
Capital leases	8,628,693	1,239,634	-86%
Compensated absence	3,359,989	3,042,481	-9%
Other general long-term debt	5,539,042	5,439,570	-2%
Net OPEB obligations	12,689,288	16,718,767	32%
Total long-term debt	$ 306,749,792	$ 414,162,186	35%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 state Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2012-13 and school agencies maintain the flexibility to shorten the school year until 2014-15.

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

All of these factors were considered in preparing the District's budget for the 2011-12 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 190,680,653
Accounts receivable	49,138,287
Inventory	474,672
Total current assets	240,293,612
Deferred charges	4,508,919
Capital assets, non-depreciable	28,050,412
Capital assets, depreciable, net	372,690,467
Total non-current assets	405,249,798
Total Assets	645,543,410
LIABILITIES	
Accrued liabilities	26,371,710
Deferred revenue	2,305,955
Long-term liabilities, current portion	13,370,931
Total current liabilities	42,048,596
Long-term liabilities, non-current portion	400,791,255
Total Liabilities	442,839,851
NET ASSETS	
Invested in capital assets, net of related debt	123,136,564
Restricted for:	
Capital projects	2,143,801
Debt service	39,619,159
Educational programs	13,180,548
Other purposes	2,068,208
Unrestricted	22,555,279
Total Net Assets	$ 202,703,559

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	$ 186,181,679	$ 379,452	$ 59,409,313	$ 51,857	$ (126,341,057)
Instruction-related services					
Instructional supervision and administration	10,465,057	5,623	5,299,540	-	(5,159,894)
Instructional library, media, and technology	3,041,513	7,679	391,450	-	(2,642,384)
School site administration	20,702,117	1,896	1,681,667	-	(19,018,554)
Pupil services					
Home-to-school transportation	7,578,049	200,191	2,437,332	-	(4,940,526)
Food services	10,849,769	3,548,902	6,838,275	-	(462,592)
All other pupil services	14,535,504	87,366	4,471,920	-	(9,976,218)
General administration					
Centralized data processing	2,654,959	3,533	28,345	-	(2,623,081)
All other general administration	8,394,029	181,967	3,251,964	-	(4,960,098)
Plant services	26,898,792	270,082	1,261,026	-	(25,367,684)
Ancillary services	1,537,291	41,602	333,791	-	(1,161,898)
Community services	595,685	-	402,979	-	(192,706)
Enterprise activities	44,956	179	1,434	-	(43,343)
Interest on long-term debt	17,748,420	-	-	-	(17,748,420)
Transfer to other agencies	1,810,507	486,674	4,298,914	-	2,975,081
Depreciation (unallocated)	16,667,618	-	-	-	(16,667,618)
Total Governmental Activities	$ 329,705,945	$ 5,215,146	$ 90,107,950	$ 51,857	(234,330,992)

General revenues	
Taxes and subventions	
Property taxes, levied for general purposes	93,130,799
Property taxes, levied for debt service	25,329,584
Property taxes, levied for other specific purposes	620,848
Federal and state aid not restricted for specific purposes	119,423,588
Interest and investment earnings	275,809
Interagency revenues	2,000
Miscellaneous	5,278,853
Subtotal, General Revenue	244,061,481
CHANGE IN NET ASSETS	9,730,489
Net Assets - Beginning	192,973,070
Net Assets - Ending	$ 202,703,559

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Building Fund	Debt Service for Blended Component Unit Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 26,854,602	$ 105,342,781	$ 27,393,075	$ 31,090,195	$ 190,680,653
Accounts receivable	47,512,344	-	-	1,625,943	49,138,287
Due from other funds	2,445,656	24,223	-	1,557,606	4,027,485
Stores inventory	419,478	-	-	55,194	474,672
Total Assets	$ 77,232,080	$ 105,367,004	$ 27,393,075	$ 34,328,938	$ 244,321,097
LIABILITIES					
Accrued liabilities	$ 14,650,643	$ 4,240,357	$ -	$ 558,135	$ 19,449,135
Due to other funds	1,551,501	2,192	-	2,473,792	4,027,485
Deferred revenue	2,305,955	-	-	-	2,305,955
Total Liabilities	18,508,099	4,242,549	-	3,031,927	25,782,575
FUND BALANCES					
Nonspendable	719,478	-	-	55,193	774,671
Restricted	13,180,548	101,124,455	27,393,075	29,547,615	171,245,693
Committed	-	-	-	1,694,203	1,694,203
Assigned	8,009,223	-	-	-	8,009,223
Unassigned	36,814,732	-	-	-	36,814,732
Total Fund Balances	58,723,981	101,124,455	27,393,075	31,297,011	218,538,522
Total Liabilities and Fund Balances	$ 77,232,080	$ 105,367,004	$ 27,393,075	$ 34,328,938	$ 244,321,097

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balance - Governmental Funds			$ 218,538,522
Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:			
Capital assets:			
In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:			
	Capital assets	$ 579,501,616	
	Accumulated depreciation	(178,760,737)	400,740,879
Unamortized costs:			
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in deferred charges on the statement of net assets are:			4,508,919
Unmatured interest on long-term debt:			
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(6,922,575)
Long-term liabilities:			
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:			
	General obligation bonds	$ 332,642,571	
	Mello-Roos bonds	56,424,663	
	Capital leases	1,239,634	
	Compensated absence	3,042,481	
	Construction loan	5,439,570	
	Net OPEB obligations	16,718,767	
	Deferred amount on refunding	(1,345,500)	(414,162,186)
Total Net Assets - Governmental Activities			$ 202,703,559

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	Debt Service for Blended Component Unit Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources					
State aid	$ 78,868,670	$ -	$ -	$ -	$ 78,868,670
Local sources	93,130,798	-	-	-	93,130,798
Transfers	(494,369)	-	-	600,000	105,631
Federal sources	33,588,624	-	-	8,384,055	41,972,679
Other state sources	79,147,484	-	-	1,172,421	80,319,905
Other local sources	13,360,030	312,601	6,723,140	24,642,979	45,038,750
Total Revenues	297,601,237	312,601	6,723,140	34,799,455	339,436,433
EXPENDITURES					
Instruction	180,284,893	-	-	3,269,125	183,554,018
Instruction-related services					
Instructional supervision and administration	9,950,592	-	-	497,841	10,448,433
Instructional library, media, and technology	2,912,696	-	-	85,616	2,998,312
School site administration	18,976,702	-	-	1,508,361	20,485,063
Pupil services					
Home-to-school transportation	8,365,249	-	-	-	8,365,249
Food services	436	-	-	10,791,609	10,792,045
All other pupil services	14,359,565	-	-	6,731	14,366,296
General administration					
Centralized data processing	2,643,382	-	-	-	2,643,382
All other general administration	7,504,490	-	-	824,234	8,328,724
Plant services	24,113,822	144	-	2,556,849	26,670,815
Facilities acquisition and maintenance	215,246	10,969,016	-	3,506,577	14,690,839
Ancillary services	1,537,290	-	-	-	1,537,290
Community services	579,996	-	-	690	580,686
Enterprise activities	44,954	-	-	-	44,954
Transfers to other agencies	1,060,197	-	-	-	1,060,197
Debt service					
Principal	486,961	8,628,693	3,635,000	11,068,877	23,819,531
Interest and other	259,763	4,385,188	2,408,809	11,012,010	18,065,770
Total Expenditures	273,296,234	23,983,041	6,043,809	45,128,520	348,451,604
Excess (Deficiency) of Revenues					
Over Expenditures	24,305,003	(23,670,440)	679,331	(10,329,065)	(9,015,171)
Other Financing Sources (Uses)					
Transfers in	1,572,413	1,781,511	-	9,467,143	12,821,067
Other sources	1,326,000	162,027,321	-	3,081,945	166,435,266
Transfers out	(3,614,453)	(5,042,690)	(810,000)	(3,353,924)	(12,821,067)
Other uses	-	(39,270,000)	-	-	(39,270,000)
Net Financing Sources (Uses)	(716,040)	119,496,142	(810,000)	9,195,164	127,165,266
NET CHANGE IN FUND BALANCE	23,588,963	95,825,702	(130,669)	(1,133,901)	118,150,095
Fund Balance - Beginning	35,135,018	5,298,753	27,523,744	32,430,912	100,388,427
Fund Balance - Ending	$ 58,723,981	$ 101,124,455	$ 27,393,075	$ 31,297,011	$ 218,538,522

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Governmental Funds			$ 118,150,095
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay:	$	15,738,687	
Depreciation expense:		(16,667,618)	(928,931)
Debt service:			
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			63,089,531
Debt proceeds:			
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:			(165,089,766)
Debt issue costs:			
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:			
Issue costs incurred during the period:	$	2,427,102	
Issue costs amortized for the period:		(625,655)	1,801,447
Unmatured interest on long-term debt:			
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(1,879,728)
Accreted interest on long-term debt:			
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditures from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.			(2,562,646)
Compensated absences:			
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:			317,508
Postemployment benefits other than pensions (OPEB):			
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:			(4,029,479)
Amortization of debt issue premium or discount:			
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:			862,458
Change in net assets of Governmental Activities			$ 9,730,489

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Private-Purpose Trust Fund	ASB Agency Funds
ASSETS		
Cash and cash equivalents	$ 49,873	$ 1,464,542
Total Assets	49,873	$ 1,464,542
LIABILITIES		
Due to other agencies/student groups	-	$ 1,464,542
Total Liabilities	-	$ 1,464,542
NET ASSETS		
Unrestricted	49,873	
Total Net Assets	49,873	
Total Liabilities and Fund Balance	$ 49,873	

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

		Private-Purpose Trust Fund
ADDITIONS		
Investment earnings	$	1,480
Total Additions		1,480
DELETIONS		
Other trust activities		8,303
Total Deletions		8,303
NET CHANGE IN FUND BALANCE		(6,823)
Net Assets - Beginning		56,696
Net Assets - Ending	$	49,873

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Unit

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 that meets 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with three JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Contra Costa County Schools Insurance Group (CCCSIG)
- Schools Excess Liability Fund (SELF)
- School Self-Insurance of Contra Costa County (SSICCC)

D. Basis of Presentation

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

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

Major Governmental Funds

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

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Debt Service Fund for Blended Component Units. This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

Non-Major Governmental Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code Sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code Sections 38091 and 38100).

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

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

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code Sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code Sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Capital Project Fund for Blended Component Units. This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

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

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Fiduciary Funds

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

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

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

All governmental-type activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K–12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

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

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

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings though investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Land site improvements and buildings purchased or acquired with an original cost of $25,000 or more, and equipment purchased or acquired with an original cost of $10,000 or more, are recorded at historical cost or estimated historical cost. The District does not possess any infrastructure. 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. Depreciation of capital assets is computed and recorded using the straight-line method over the following estimated useful life:

Asset Class	Estimated Useful Life
Buildings and improvements	30 years
Equipment	5-20 years
Vehicles	8 years

Interfund Balances

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts
In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities 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 straight line method.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

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 improvement of those assets. The District has related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Interfund Activity

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

H. Estimates

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

I. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Cash in county treasury	$ 151,653,597	$ 4,873	$ 151,658,470
Cash on hand and in banks	39,754	1,464,542	1,504,296
Cash in revolving fund	300,000	-	300,000
Cash with fiscal agent	25,603	-	25,603
Cash collections awaiting deposits	1,861	-	1,861
California Asset Management Program	24,223,203	-	24,223,203
Local agency investment	14,436,635	-	14,436,635
Treasury note	-	45,000	45,000
Total	$ 190,680,653	$ 1,514,415	$ 192,195,068

B. Policies and Practices

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

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment 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.

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

C. 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 website. The table below identifies examples 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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type:	Fair Value	Maturity
Cash in county treasury	$ 151,810,128	151 days
Pooled Money Investment Account	$ 38,765,855	237 days

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Contra Costa County Investment Pool is rated AAAf/S1+ by Standard & Poor's. The investments within the Local Agency Investment Fund is rated are least BBB by Standard & Poor's. The investment with the California Asset Management Program is rated AAAm by Standard & Poor's.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (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, 2011, the District's bank balance was not exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent in the name of the District.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 6,005,456	$ 1,501,661	$ 7,507,117
State Government			
Apportionment	20,455,282	-	20,455,282
Categorical aid	14,978,602	77,963	15,056,565
Lottery	2,417,842	-	2,417,842
Other Local Sources	3,655,162	46,319	3,701,481
Total	$ 47,512,344	$ 1,625,943	$ 49,138,287

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	$ 14,436,462	$ -	$ -	$ 14,436,462
Construction in progress	2,414,952	14,219,057	3,020,059	13,613,950
Total Capital Assets not Being Depreciated	16,851,414	14,219,057	3,020,059	28,050,412
Capital assets being depreciated				
Land improvements	22,066,045	1,087,502	-	23,153,547
Buildings & improvements	509,231,931	1,932,557	-	511,164,488
Furniture & equipment	15,613,539	1,519,630	-	17,133,169
Total Capital Assets Being Depreciated	546,911,515	4,539,689	-	551,451,204
Less Accumulated Depreciation				
Land improvements	1,919,440	773,711	-	2,693,151
Buildings & improvements	146,044,508	15,434,599	-	161,479,107
Furniture & equipment	14,129,171	459,308	-	14,588,479
Total Accumulated Depreciation	162,093,119	16,667,618	-	178,760,737
Governmental Activities Capital Assets, net	$ 401,669,810	$ 2,091,128	$ 3,020,059	$ 400,740,879

NOTE 5 – INTERFUND TRANSACTIONS

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

	Due From Other Funds			
Due To Other Funds	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ 1,551,501	$ 1,551,501
Building Fund	2,192	-	-	2,192
Non-Major Funds	2,443,464	24,223	6,105	2,473,792
Total Due From Other Funds	$ 2,445,656	$ 24,223	$ 1,557,606	$ 4,027,485

Due from the Adult Education Fund to the General Fund for the correction of the 2009-10 due to/from.	$ 448,219
Due from the Adult Education Fund to the Building Fund for the correction of the 2009-10 due to/from.	22,528
Due from the Adult Education Fund to the General Fund to record allocated CU's	1,049,425
Due from the Adult Education Fund to the General Fund imbursement of expenditures	1,256
Due from the Cafeteria Fund to the General Fund for indirect costs	37,715
Due from the Cafeteria Fund to the General Fund for 2009-10 balance forward adjustment	32,289
Due from the Cafeteria Fund to the Capital Facilities Fund for 2009-10 balance forward adjustment	150
Due from the Cafeteria Fund to the Capital Project Fund for Blended Component Units for 2009-10 balance forward adjustment	1,021
Due from the Cafeteria Fund to the Building Fund for 2009-10 balance forward adjustment	1,695
Due from the Cafeteria Fund to County School Facilities Fund for 2009-10 balance forward adjustment	173
Due from the Cafeteria Fund to Adult Education Fund for 2009-10 balance forward adjustment	4,761
Due from the Cafeteria Fund to the General Fund to to record allocated CU's	806,101
Due from the Cafeteria Fund to the General Fund for expenditure transfers	68,459
Due from the Building Fund to the General Fund for expenditure transfers	2,192
Due from the General Fund to the Deferred Maintenance fund to restore the Tier III flexibility in this fund.	114,866
Due from the General Fund to the Adult Education Fund for indirect costs overpayment	5,401
Due from the General Fund to the Capital Facilities Fund for 2009-10 balance forward adjustment	161
Due from the General Fund to the County School Facilities Fund for 2009-10 balance forward adjustment	504
Due from the General Fund to the Capital Project Fund for Blended Component Units for 2009-10 balance forward adjustment	1,064
Due from the General Fund to the Cafeteria Fund for 2009-10 balance forward adjustment	552,941
Due from the General Fund to the Cafeteria Fund for revenue limit needy meals	600,000
Due from the General Fund to the Adult Education for revenue limit deferral	189,097
Due from the General Fund to the Adult Education for contribution in lieu of lottery funding	87,467
Total	$ 4,027,485

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

	Interfund Transfers In			
Interfund Transfers Out	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ 3,614,453	$ 3,614,453
Building Fund	-	-	5,042,690	5,042,690
Debt Service Fund for Blended Component Units	-	-	810,000	810,000
Non-Major Fund	1,572,413	1,781,511	-	3,353,924
Total Interfund Transfers	$ 1,572,413	$ 1,781,511	$ 9,467,143	$ 12,821,067

Transfer from General Fund to Adult Education Fund for adult education's share of lottery revenue and Tier III adult education funds.	$ 3,499,587
Transfer from General Fund to Deferred Maintenance Fund for Tier III deferred maintenance funds.	114,866
Transfer from Deferred Maintenance Fund to General Fund to reverse the prior year transfer as it was not required.	1,572,413
Transfer from Building Fund to Bond Interest and Redemption Fund for prepayment of 1998 debt	5,042,690
Transfer from Bond Interest and Redemption Fund to Building Fund for costof issuance on 2010 bonds	1,781,511
Transfer from Debt Service Fund for BCU to Capital Project Fund for BCU for Measure A furniture and equipment.	810,000
Total	$ 12,821,067

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Payroll	$ 1,695,314	$ 13,096	$ 212,816	$ 1,921,226
Construction	-	4,227,261	218,372	4,445,633
Vendors payable	12,955,329	-	126,947	13,082,276
Total	$ 14,650,643	$ 4,240,357	$ 558,135	$ 19,449,135

NOTE 7 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	General Fund
Federal sources	$ 2,157,149
State categorical sources	137,443
Local deferrals	11,363
Total	$ 2,305,955

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below:

	Balance July 01, 2010	Accretion/ Additions	Deductions	Balance June 30, 2011	Balance Due In One Year
Governmental Activities					
Mello-Roos Bonds:					
Series 2002	$ 21,415,000	$ -	$ 1,255,000	$ 20,160,000	$ 1,305,000
Series 2005	13,695,000	-	565,000	13,130,000	565,000
Series 2006	24,970,000	-	1,815,000	23,155,000	1,900,000
Net issuance discount	(21,921)	-	(1,584)	(20,337)	(1,584)
General Obligation (GO) Bonds:					
Series 2002	42,775,000	-	40,990,000	1,785,000	1,785,000
Series 2004	105,870,000	-	3,420,000	102,450,000	3,565,000
Series 2006	58,880,000	-	790,000	58,090,000	1,085,000
Series 2010	-	123,557,703	-	123,557,703	1,685,000
Series 2011 Refunding	-	37,790,000	-	37,790,000	775,000
Net issuance premium	3,480,700	6,324,209	835,041	8,969,868	521,354
Deferred amount on refunding	-	(1,345,500)	-	(1,345,500)	(89,700)
Certificates of Participation (COPs)	5,440,000	-	5,440,000	-	-
Issuance costs/premiums	29,001	-	29,001	-	-
Construction loan	5,539,042	-	99,472	5,439,570	99,472
Capital leases	8,628,693	1,326,000	8,715,059	1,239,634	176,389
Net OPEB obligations	12,689,288	4,029,479	-	16,718,767	-
Compensated absences	3,359,989	-	317,508	3,042,481	-
Total	$ 306,749,792	$ 171,681,891	$ 64,269,497	$ 414,162,186	$ 13,370,931

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 General 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.

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 were 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, 2011 was $20,160,000.

NOTE 8 – LONG-TERM DEBT (continued)

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

On June 30, 2005, the District issued Series 2005 Measure "A" Bonds totaling $15,760,000. A portion of the bond proceeds were being invested to be used to retire the series 1995 Measure "A" Bonds during the year ended June 30, 2007. Repayment of the 2005 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.00% to 4.20% and are scheduled to mature through 2025. The principal balance as of June 30, 2011 was $13,130,000.

On June 14, 2006, the District issued Series 2006 Special Tax Refunding Bonds totaling $29,995,000. A portion of the bond proceeds were being invested to be used to retire the series 1996 Measure "A" Bonds during the year ended June 30, 2007. Repayment of the 2006 bonds is made from special parcel tax revenues levied in connection with the bond issue. The bonds bear interest at rates ranging from 3.625% to 4.500% and are scheduled to mature through 2027. The principal balance as of June 30, 2011 was $23,155,000.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	$ 3,770,000	$ 2,270,530	$ 6,040,530
2013	3,905,000	2,127,877	6,032,877
2014	4,055,000	1,977,763	6,032,763
2015	4,220,000	1,819,125	6,039,125
2016	4,380,000	1,649,806	6,029,806
2017-2021	24,870,000	5,288,292	30,158,292
2022-2026	11,045,000	882,629	11,927,629
2027	200,000	4,500	204,500
Total	$ 56,445,000	$ 16,020,522	$ 72,465,522

B. General Obligation Bonds

2002 Election Measure C

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

On June 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, 2011 is $1,785,000.

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

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, 2011 is $102,450,000.

On May 11, 2006, the District issued Series 2006 Measure "C" Bonds totaling $59,600,000. Bond proceeds are being used to improve health and safety conditions of schools. Repayment of the bonds is made from ad valorem property taxes levied and collected upon all property within the District subject to taxation by the District. The bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2031. The principal balance as of June 30, 2011 is $58,090,000.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	$ 6,435,000	$ 7,858,292	$ 14,293,292
2013	5,150,000	7,563,449	12,713,449
2014	5,335,000	7,290,449	12,625,449
2015	5,010,000	7,037,558	12,047,558
2016	5,205,000	6,823,749	12,028,749
2017-2021	29,790,000	30,090,918	59,880,918
2022-2026	35,505,000	22,079,425	57,584,425
2027-2031	69,895,000	10,379,750	80,274,750
Total	$ 162,325,000	$ 99,123,590	$ 261,448,590

2010 Election Measure C

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

On September 22, 2010, two election 2010 general obligation bonds were issued. The Series A general obligation bond was issued for an aggregate principal amount of $50,456,475 and consists of current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds. The Series B general obligation bond was issued for an aggregate principal amount of $59,540,000 and consists of current interest bonds. The bonds have stated interest rates of 1.689% to 5.702% and mature on August 1, 2035 and August 1, 2027, respectively. The principal balance excluding accreted interest as of June 30, 2011 is $50,456,475 and $59,540,000, respectively.

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

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

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

Fiscal Year Ended June 30,	Principal*	Interest
2012	$ 1,685,000	$ 2,370,278
2013	5,000	3,509,592
2014	-	3,347,812
2015	-	3,347,812
2016	3,922,272	3,505,540
2017-2021	23,901,170	15,647,668
2022-2026	29,127,900	32,249,953
2027-2031	40,810,753	46,277,906
2032-2036	21,542,962	25,361,525
Total	$ 120,995,057	$ 135,618,086

** Principal amount excludes accreted interest of $2,562,646*

2011 Refunding General Obligation Bond

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of $1,345,500 remain to be amortized. As of June 30, 2011, the principal balance outstanding on the defeased debt amounted to $37,790,000.

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

The refunding decreased the District's total debt service payments by $4,676,908. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of $3,547,623.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	$ 775,000	$ 177,454	$ 952,454
2013	1,875,000	1,572,238	3,447,238
2014	1,920,000	1,515,488	3,435,488
2015	1,990,000	1,447,588	3,437,588
2016	2,055,000	1,377,238	3,432,238
2017-2021	11,535,000	5,583,550	17,118,550
2022-2026	14,320,000	2,983,425	17,303,425
2027	3,320,000	161,000	3,481,000
Total	$ 37,790,000	$ 14,817,981	$ 52,607,981

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%. The Certificates were paid-in-full using proceeds from the Election 2010 General Obligation Bonds.

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, 2011 is $5,439,570.

NOTE 8 – 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:

Year Ending June 30,	Lease Payment
2012	$ 209,992
2013	209,992
2014	209,992
2015	209,992
2016	209,992
2017-2018	314,990
Total	1,364,950
Less: Amount representing interest	(125,316)
Present value of minimum lease payments	$ 1,239,634

F. Other Leases

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

G. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to $3,042,481.

H. Other Postemployment Benefits

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2011, was $8,043,769 and contributions made by the District during the year were $4,086,706, which resulted in an increase to the net OPEB obligation of $4,029,479. See Note 11 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Debt Service for Blended Component Unit Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 300,000	$ -	$ -	$ -	$ 300,000
Stores inventory	419,478	-	-	55,193	474,671
Restricted					
Educational programs	13,180,548	-	-	-	13,180,548
School modernization and new construction	-	101,124,455	-	-	101,124,455
State school facilities projects	-	-	-	10,578,738	10,578,738
Other capital projects	-	-	-	4,674,585	4,674,585
Cafeteria	-	-	-	2,068,208	2,068,208
Debt service	-	-	27,393,075	12,226,084	39,619,159
Committed					
Adult education	-	-	-	1,248,649	1,248,649
Deferred maintenance	-	-	-	445,554	445,554
Assigned					
IRS assessment	533,500	-	-	-	533,500
Tier III carryover	5,688,903	-	-	-	5,688,903
Site carryover	1,786,820	-	-	-	1,786,820
Unassigned					
Reserve for economic uncertainties	5,982,076	-	-	-	5,982,076
Unassigned	30,832,656	-	-	-	30,832,656
Total	$ 58,723,981	$ 101,124,455	$ 27,393,075	$ 31,297,011	$ 218,538,522

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

NOTE 10 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Cafeteria Special Revenue Fund	$ 11,896,858	$ 12,110,024	$ (213,166)
Capital Facilities Fund	$ 1,344,297	$ 1,518,815	$ (174,518)
Bond Interest and Redemption Fund	$ 17,771,511	$ 23,762,926	$ (5,991,415)
Debt Service Fund for Blended Component Units	$ 6,731,062	$ 6,853,809	$ (122,747)
Foundation Private-Purpose Trust Fund	$ 4,000	$ 8,303	$ (4,303)

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*	1,034
Active plan members	3,306
Total	4,340

** 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 2010-11, the District contributed $4,086,706.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$	8,043,769
Interest on net OPEB obligation		634,464
Adjustment to annual required contribution		(562,048)
Annual OPEB cost (expense)		8,116,185
Contributions made		(4,086,706)
Increase in net OPEB obligation		4,029,479
Net OPEB obligation, beginning of the year		12,689,288
Net OPEB obligation, end of the year	$	16,718,767

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years are as follows:

Fiscal Year Ended June 30,		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2009	$	8,256,208	47%	$	8,622,710
2010	$	8,091,904	47%	$	12,689,288
2011	$	8,116,185	50%	$	16,718,767

Funded Status and Funding Progress – OPEB Plans

As of May 1, 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, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

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	30 Years
Actuarial Assumptions:	
Discount Rate	5.0%
Inflation Rate	3.0%
Long-term Healthcare Cost Trend Rate	4.0%

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

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

A. CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2010-11	$ 10,151,998	100%
2009-10	$ 10,412,753	100%
2008-09	$ 10,954,293	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $5,250,736 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

B. CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution		Percent of Required Contribution
2010-11	$	4,389,951	100%
2009-10	$	4,359,337	100%
2008-09	$	4,386,622	100%

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

C. Construction Commitments

As of June 30, 2011, the District had commitments with respect to the unfinished capital projects of approximately $3,778,903.

D. IRS Audit

The District is currently involved in an IRS audit relating to payroll. The District's management plan is to reconcile the discrepancies with the IRS. On November 28, 2011, the District received a closing agreement on final determination covering specific matters regarding worker classification. The District paid $752 in penalties and the District is awaiting final resolution of the audit.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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 can be found on their website.

NOTE 15 – 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 14). 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 16 – SUBSEQUENT EVENT

Subsequent to June 30, 2011, the District issued General Obligation Refunding Bonds, Election of 2002, Series B to refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series 2004. The bonds were issued for $43,700,000 with stated interest rates of 2% - 5% and mature on July 1, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variances - Positive / (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Revenue limit sources				
State aid	$ 67,838,343	$ 79,984,070	$ 78,868,670	$ (1,115,400)
Local sources	95,675,712	92,056,676	93,130,798	1,074,122
Transfers	(255,944)	(233,177)	(494,369)	(261,192)
Federal sources	20,508,626	38,197,421	33,588,624	(4,608,797)
Other state sources	67,729,805	69,270,527	79,147,484	9,876,957
Other local sources	8,304,326	12,716,200	13,360,030	643,830
Total Revenues	259,800,868	291,991,717	297,601,237	5,609,520
EXPENDITURES				
Certificated salaries	124,469,721	128,998,841	126,094,904	2,903,937
Classified salaries	39,295,380	39,543,200	41,645,241	(2,102,041)
Employee benefits	55,621,204	54,605,372	57,840,507	(3,235,135)
Books and supplies	12,326,800	27,956,945	9,259,030	18,697,915
Services and other operating expenditures	34,654,790	42,342,741	35,843,235	6,499,506
Capital outlay	302,707	1,751,834	1,623,364	128,470
Other outgo				
Excluding transfers of indirect costs	2,487,065	1,571,036	1,677,654	(106,618)
Transfers of indirect costs	(740,508)	(731,620)	(687,701)	(43,919)
Total Expenditures	268,417,159	296,038,349	273,296,234	22,742,115
Excess (Deficiency) of Revenues				
Over Expenditures	(8,616,291)	(4,046,632)	24,305,003	28,351,635
Other Financing Sources (Uses):				
Transfers in	-	1,572,413	1,572,413	-
Other sources	-	1,326,000	1,326,000	-
Transfers out	(3,486,037)	(3,065,432)	(3,614,453)	(549,021)
Net Financing Sources (Uses)	(3,486,037)	(167,019)	(716,040)	(549,021)
NET CHANGE IN FUND BALANCE	(12,102,328)	(4,213,651)	23,588,963	27,802,614
Fund Balance - Beginning	35,135,018	35,135,018	35,135,018	-
Fund Balance - Ending	$ 23,032,690	$ 30,921,367	$ 58,723,981	$ 27,802,614

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2011

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

SUPPLEMENTARY INFORMATION

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A Cluster			
Title I, Part A, School Improvement SAIT	84.010	14417	$ 1,525
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,658,080
ARRA - Title I - Part A	84.389	15005	3,477,376
Subtotal Title I, Part A Cluster			8,136,981
Educational Technology State Grants Cluster			
Title II, Part D Enhancing Education Through Technology (EETT)	84.318	14334	19,957
ARRA - Title II, Part D Enhancing Education Through Technology (EETT)	84.386	15019	120,203
Education Technology State Grants Cluster			140,160
Title I, School Improvement Grant Cluster			
Title I, School Improvement Grant for QEIA Schools	84.377	14971	993,118
ARRA - Title I, School Improvement Grant for QEIA Schools	84.388	15004	2,322,557
Subtotal Title I, School Improvement Grant Cluster			3,315,675
Pell Grants	84.063	N/A	238,076
Adult Education: Adult Basic Education & ESL	84.002A	14508	465,188
Adult Education: Adult Secondary Education	84.002A	13978	26,923
Adult Education: English Literacy and Civics Education	84.002A	14109	191,930
Title I, Part B, Reading First Special Education Teacher Professional Development Pilot	84.357	14911	143,786
Title II, Part A, Administrator Training	84.367	14344	4,835
Title II, Part A, Teacher Quality	84.367A	14341	1,417,592
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	713,584
Title IV, Part A, Drug-Free Schools	84.186	14347	16,039
Title IV, 21st Century Community Learning Centers Technical Assistance	84.287	14350	29,993
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	788,479
Department of Rehab: Workability II, Transition Partnership	84.158	10006	10,106
Advanced Placement Feed Reimbursement Program	84.330	14504	10,960
Special Education Cluster			
Special Ed: Alternative Dispute Resolution	84.027	13007	15,000
IDEA State Improvement Grant, Improving Special Ed Systems	84.323	14577	16,199
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	6,491,640
Part B, Preschool Grants	84.173	13430	233,503
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	1,230,277
ARRA - Preschool Local Entitlement, Part B	84.391	15002	94,659
ARRA - Part B, Preschool Grants	84.392	15000	145,171
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	332,846
Preschool Staff Development	84.173A	13431	3,488
Basic Local Assistance Entitlement, Part B, Private Schools ISPs	84.027	10015	52,483
ARRA - Basic Local Assistance Entitlement, Part B, Private Schools ISPs	84.391	10123	11,821
Subtotal Special Education Cluster			8,627,087
IDEA Early Intervention Grants	84.181	23761	161,463
Vocational Programs: Adult	84.048	13923	95,149
Vocational Programs: Voc & Applied Tech Secondary II	84.048	13924	211,831
Vocational Programs: Career Tech Ed Prep Admin Title II	84.243	14899	30,929
Title X, McKinney-Vento Homeless Assistance	84.196	14332	28,105
ARRA - Title X, McKinney-Vento Homeless Assistance	84.387	15007	7,377
ARRA - State Fiscal Stabilization Fund	84.394	25008	1,565,330
Education Jobs & Medicaid Assistance Act	84.410	25152	6,368,216
Teaching American History	84.215X	N/A	319,534
Total U. S. Department of Education			33,065,328

continued on next page

See accompanying note to supplementary information.

U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	68,751
Especially Needy Breakfast	10.553	13526	1,397,012
National School Lunch Program	10.555	13391	5,095,634
Special Milk Program for Children	10.556	13392	285,700
Summer Food Service Program for Children	10.559	13004	209,613
Subtotal Child Nutrition Cluster			7,056,710
USDA Commodities	10.558	13389	523,630
Nutrition Network	10.574	N/A	273,430
Total U. S. Department of Agriculture			7,853,770
U. S. DEPARTMENT OF DEFENSE:			
J.R.O.T.C.	12.UNKNOWN	N/A	123,665
Total U. S. Department of Defense			123,665
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Education:			
Child Development: Quality Improvement Activities	93.575	13979	1,353
Passed through California Department of Health Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	641,005
Med-Cal Administrative Activities (MAA)	93.778	10060	447,798
Subtotal Medicaid Cluster			1,088,803
Total U. S. Department of Health & Human Services			1,090,156
Total Federal Expenditures			$ 42,132,919

See accompanying note to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	2,454	2,453
First through third	7,267	7,264
Fourth through sixth	7,199	7,196
Seventh through eighth	4,655	4,655
Home and hospital	30	32
Special day class	832	839
Community day school	6	7
Extended year program - nonpublic, nonsectarian schools	13	13
Total Elementary	22,456	22,459
SECONDARY		
Regular classes	8,976	8,885
Continuation education	454	446
Opportunity schools	22	22
Home and hospital	53	59
Special day class	509	500
Community day school	19	17
Extended year program - nonpublic, nonsectarian schools	12	12
Total Secondary	10,045	9,941
Average Daily Attendance Total	32,501	32,400

See accompanying note to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982 - 83 Actual Minutes	1982 - 83 Actual Minutes Reduced	1986 - 87 Minutes Requirement	1986 - 87 Minutes Requirement Reduced	2010-11 Actual Minutes	Number of Days	Status
Kindergarten	31,680	30,800	36,000	35,000	35,400	177	Complied
Grade 1	48,840	47,483	50,400	49,000	52,816	177	Complied
Grade 2	48,840	47,483	50,400	49,000	52,816	177	Complied
Grade 3	48,840	47,483	50,400	49,000	52,816	177	Complied
Grade 4	52,120	50,672	54,000	52,500	54,745	177	Complied
Grade 5	52,120	50,672	54,000	52,500	54,745	177	Complied
Grade 6	52,120	50,672	54,000	52,500	58,395	177	Complied
Grade 7	56,700	55,125	54,000	52,500	58,395	177	Complied
Grade 8	56,700	55,125	54,000	52,500	58,395	177	Complied
Grade 9	56,060	54,503	64,800	63,000	64,314	177	Complied
Grade 10	56,060	54,503	64,800	63,000	64,314	177	Complied
Grade 11	56,060	54,503	64,800	63,000	64,314	177	Complied
Grade 12	56,060	54,503	64,800	63,000	64,314	177	Complied

See accompanying note to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	$ 270,395,432	$ 297,601,237	$ 268,320,261	$ 300,086,210
Other sources and transfers in	-	2,898,413	2,169,387	1,758,835
Total	270,395,432	300,499,650	270,489,648	301,845,045
Expenditures	269,096,169	273,296,234	275,394,953	287,063,698
Other uses and transfers out	3,904,687	3,614,453	7,176,802	1,294,106
Total	$ 273,000,856	$ 276,910,687	$ 282,571,755	$ 288,357,804
INCREASE/(DECREASE) IN FUND BALANCE	$ (2,605,424)	$ 23,588,963	$ (12,082,107)	$ 13,487,241
ENDING FUND BALANCE	$ 56,118,557	$ 58,723,981	$ 35,135,018	$ 47,217,125
AVAILABLE RESERVES *	$ 23,862,111	$ 36,814,732	$ 16,751,459	$ 15,759,922
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO	8.7%	13.3%	5.9%	5.5%
LONG-TERM DEBT	$ 400,791,255	$ 414,162,186	$ 306,749,792	$ 312,862,296
AVERAGE DAILY ATTENDANCE AT P-2	32,346	32,501	32,609	33,155

The General Fund balance has increased by $11,506,856 over the past two years. The fiscal year 2011-2012 budget projects a decrease of $2,605,424 (4 percent). For a district this size, the state recommends available reserves of at least 2% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long term obligations have increased by $101,299,890 over the past two years.

Average daily attendance has decreased by 654 ADA over the past two years. The District anticipates a decrease of 155 ADA during the 2011-2012 fiscal year.

* Available reserves consist of all unassigned fund balance within the General Fund and the Reserve for Economic Uncertainty.

See accompanying note to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

There were no differences between the annual financial and budget report and the audited financial statements.

See accompanying note to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011

Charter School	Included in Audit Report
Eagle Peak Montessori Charter School	Not included

See accompanying note to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2011

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Project for Blended Component Unit Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	$ 1,927,439	$ 1,109,918	$ 330,395	$ 2,146,120	$ 10,786,753	$ 2,563,486	$ 12,226,084	$ 31,090,195
Accounts receivable	624,604	987,360	293	1,430	9,680	2,576	-	1,625,943
Due from other funds	286,726	1,152,941	114,866	311	677	2,085	-	1,557,606
Stores inventory	-	55,194	-	-	-	-	-	55,194
Total Assets	$ 2,838,769	$ 3,305,413	$ 445,554	$ 2,147,861	$ 10,797,110	$ 2,568,147	$ 12,226,084	$ 34,328,938
LIABILITIES								
Accrued liabilities	$ 68,692	$ 229,648	$ -	$ 4,060	$ 218,372	$ 37,363	$ -	$ 558,135
Due to other funds	1,521,428	952,364	-	-	-	-	-	2,473,792
Total Liabilities	1,590,120	1,182,012	-	4,060	218,372	37,363	-	3,031,927
FUND BALANCES								
Non-spendable	-	55,193	-	-	-	-	-	55,193
Spendable								
Restricted	-	2,068,208	-	2,143,801	10,578,738	2,530,784	12,226,084	29,547,615
Committed	1,248,649	-	445,554	-	-	-	-	1,694,203
Total Fund Balances	1,248,649	2,123,401	445,554	2,143,801	10,578,738	2,530,784	12,226,084	31,297,011
Total Liabilities and Fund Balance	$ 2,838,769	$ 3,305,413	$ 445,554	$ 2,147,861	$ 10,797,110	$ 2,568,147	$ 12,226,084	$ 34,328,938

See accompanying note to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Project for Blended Component Unit Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
Revenue limit sources								
Transfers	$ -	$ 600,000	$ -	$ -	$ -	$ -	$ -	$ 600,000
Federal sources	1,026,238	7,056,710	-	-	-	-	301,107	8,384,055
Other State sources	364,292	589,645	-	-	-	-	218,484	1,172,421
Other local sources	1,538,849	4,009,703	5,304	564,224	51,857	12,366	18,460,676	24,642,979
Total Revenues	2,929,379	12,256,058	5,304	564,224	51,857	12,366	18,980,267	34,799,455
EXPENDITURES								
Current								
Instruction	3,269,125	-	-	-	-	-	-	3,269,125
Instruction-related services								
Instructional supervision and administration	497,841	-	-	-	-	-	-	497,841
Instructional library, media, and technology	85,616	-	-	-	-	-	-	85,616
School site administration	1,508,361	-	-	-	-	-	-	1,508,361
Pupil services								
Food services	-	10,791,609	-	-	-	-	-	10,791,609
All other pupil services	6,731	-	-	-	-	-	-	6,731
General administration								
All other general administration	178,951	508,751	-	136,532	-	-	-	824,234
Plant services	1,077,723	809,664	33	-	-	669,429	-	2,556,849
Facilities acquisition and maintenance	5,486	-	238,370	1,282,811	1,977,114	2,796	-	3,506,577
Community services	690	-	-	-	-	-	-	690
Debt service								
Principal	-	-	-	99,472	-	-	10,969,405	11,068,877
Interest and other	-	-	-	-	-	-	11,012,010	11,012,010
Total Expenditures	6,630,524	12,110,024	238,403	1,518,815	1,977,114	672,225	21,981,415	45,128,520
Excess (Deficiency) of Revenues								
Over Expenditures	(3,701,145)	146,034	(233,099)	(954,591)	(1,925,257)	(659,859)	(3,001,148)	(10,329,065)
Other Financing Sources (Uses)								
Transfers In	3,499,587	-	114,866	-	-	810,000	5,042,690	9,467,143
Other Sources	-	-	-	-	-	-	3,081,945	3,081,945
Transfers Out	-	-	(1,572,413)	-	-	-	(1,781,511)	(3,353,924)
Net Financing Sources (Uses)	3,499,587	-	(1,457,547)	-	-	810,000	6,343,124	9,195,164
NET CHANGE IN FUND BALANCE	(201,558)	146,034	(1,690,646)	(954,591)	(1,925,257)	150,141	3,341,976	(1,133,901)
Fund Balance - Beginning	1,450,207	1,977,367	2,136,200	3,098,392	12,503,995	2,380,643	8,884,108	32,430,912
Fund Balance - Ending	$ 1,248,649	$ 2,123,401	$ 445,554	$ 2,143,801	$ 10,578,738	$ 2,530,784	$ 12,226,084	$ 31,297,011

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. 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.

B. 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.

C. Schedule of Instructional Time

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

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

D. 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.

E. Schedule of Annual Financial and Budget Report with Audited Financial Statements

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

F. Schedule of Charter Schools

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

G. Combining Statements – Non-Major Governmental Funds

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

H. Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' 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*

Board of Trustees
Mount Diablo Unified School District
Concord, California

We have audited the financial statements of Mount Diablo Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. 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

Management of Mount Diablo Unified School District is responsible for establishing and maintaining effective 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding #2011-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as finding #2011-2.

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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.

Christy White Accountancy Corporation

San Diego, California
November 30, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Mount Diablo Unified School District
Concord, California

Compliance

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Mount Diablo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 of Mount Diablo Unified School District's compliance with those requirements.

As described in item #2011-2 in the accompanying schedule of findings and questioned costs, Mount Diablo Unified School District did not comply with requirements regarding time certification documents under OMB Circular A-87, *Cost Principles for Local, State and Indian Tribe Governments* that are applicable to Title I, Part A Cluster; Title I, School Improvement Grants for QEIA Schools Cluster; and Title II, Part D Enhancing Education through Technology Cluster. Compliance with such requirements is necessary, in our opinion, for Mount Diablo Unified School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Mount Diablo Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Mount Diablo Unified School District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as finding #2011-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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.

Christy White Accountancy Corporation

San Diego, California
November 30, 2011

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Mount Diablo Unified School District
Concord, California

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants listed below 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 the state laws and regulations referred to above.

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

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Not Applicable

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11* and which are reported in the accompanying schedule of findings and questioned costs as findings #2011-3 through #2011-4.

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 governing board, management, the California Department of Education, the California State Controller’s Office, the California Department of Finance, 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.

Christy White Accountancy Corporation

San Diego, California
November 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	Yes
FEDERAL AWARDS	
Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	Yes
Identification of major programs:	

CFDA Number(s)	Name of Federal Program of Cluster
84.318	Title II, Part D Enhancing Education Through Technology
84.386	ARRA - Title II, Part D Enhancing Education Through Technology
84.394	ARRA - State Fiscal Stabilization Fund, Recovery Act
84.410	Education Jobs & Medicaid Assistance Act
84.010	Title I, Part A Cluster
84.389	ARRA - Title I, Part A
93.778	Medicaid Cluster
84.377	Title I, School Improvement Grant for QEIA
84.388	ARRA - Title I, School Improvement Grant for QEIA

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,263,988
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unqualified

This section indentifies the deficiencies, 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 TYPE
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

Finding #2011-1: Associated Student Body Internal Controls (30000)

Criteria: Internal controls should be implemented to minimize the possibility for waste or abuse of Associated Student Body (ASB) resources.

Condition: We found the following internal control deficiencies during the audit of the ASB organizations:

- Lack of adequate backup on cash receipts found, e.g., tally sheets, sales analysis/worksheet, receipts.
- Expenditures are lacking proper approval and/or not allowable. Check was written to CASH rather than to a specific payee.

Cause: Inadequate support for cash receipts and improper approval or unallowable disbursement.

Effect or Potential Effect: Potential abuse within the District's ASB organizations.

Perspective: A sample of cash receipts and disbursements selected at six of the District's ASB organizations.

Recommendations: 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 Response: The District has participated in the annual training on Associated Student Body funds provided by the Contra Costa County Office of Education. The District is not in a fiscal position to bring the position of Internal Auditor back at this time.

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

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

Finding #2011-2: Federal Payroll Documentation (50000)

Federal Program Information:

- Title I, Part A, Basic Grants (CFDA 84.010)
- ARRA - Title I, Part A, Basic Grants (CFDA 84.389)
- Title I, School Improvement Grant for QEIA Schools (CFDA 84.337)
- ARRA - Title I, School Improvement Grant for QEIA Schools (CFDA 84.338)
- Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.318)
- ARRA - Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.386)

Criteria: LEA's are required to document their salary and wage charges to all federal programs in accordance with the standards specified in OMB Circular A-87, Attachment B, Section 11(h).

Condition: In 2010-11, the District did not prepare semi-annual time certifications for employees whose time was charged to Title I, Part A, Basic Grants, ARRA-Title I, Part A, Basic Grants, Title School Improvement Grant for QEIA Schools, ARRA - Title I, School Improvement Grant for QEIA, Title II, Part D Enhancing Education through Technology (EETT), ARRA - Title II, Part D Enhancing Education through Technology (EETT). However, we did not find any employees whose salaries or wages were charged to the programs tested above in the 2010-11 year that did not appear to be allowable.

Context: Semi-annual time certifications were not prepared in the 2010-11 fiscal year, therefore questioned costs represent all salaries and wages for employees whose time was charged to the programs tested above.

Questioned Costs: Total questioned employee salaries and wages charged to the programs identified above are as follows:

- $3,186,132 for Title I, Part A, Basic Grants (CFDA 84.389)
- $1,844,745 for ARRA - Title I, Part A, Basic Grants (CFDA 84.389)
- $263,066 for Title I, School Improvement Grant for QEIA Schools (CFDA 84.337)
- $1,362,776 for ARRA - Title I, School Improvement Grant for QEIA Schools (CFDA 84.338)
- $12,269 for Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.318)
- $45,754 for ARRA - Title II, Part D Enhancing Education through Technology (EETT) (CFDA 84.386)

Cause: The District did not have the adequate staffing to oversee the efforts over the collection of documentation for employee time and effort.

Finding #2011-2: Federal Payroll Documentation (50000) (continued)

Effect: The District is not in full compliance with the federal regulations as they pertain to the federal programs listed above.

Recommendation: We recommend the District document semi-annual certifications for the employees charged to the federal program in the 2010-11 year. Per guidance outlined at OMB Circular A-87, Attachment B, Section 11(h), the semi-annual time certifications may be prepared by the employee or supervisory official having first-hand knowledge of the work performed by the employee. An example of a semi-annual time certification may be found at Procedure 905, *Documenting Salaries and Wages*, in the March 2008 edition of the California School Accounting Manual.

District Response: The District concurs with the finding. The required documentation for the 2010-11 school year has been distributed to the school sites with a due date of December 16, 2011, for returning documentation to the District Office. Additionally, the forms for the first half of the 2011-12 school year have been distributed and a new schedule utilized to track completion in a more timely manner.

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

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding #2011-3: School Accountability Report Card (72000)

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

Condition: The facility inspection tool (FIT) forms for selected schools were inconsistent with the School Accountability Report Card (SARC) that was published in the fiscal year 2010-11.

Context: 4 of 9 school sites tested

Cause: School Accountability Report Cards were not filled out correctly based on the most recent FIT forms.

Effect: The 2009-10 School Accountability Report Cards as tested in the 2010-11 fiscal year were not in compliance with Education Code.

Questioned Costs: Not applicable

Recommendation: We recommend that the District updates the SARC and ensure it agrees to the FIT forms. In addition, we recommend the District makes certain that future SARC's posted to the District's website are complete and in compliance with Education Code.

District Response: The District will establish new procedures under which the facilities office will forward copies of the completed facilities inspection tool forms to the research and evaluation office for inclusion in the school accountability report cards.

Finding 2011-4: After School Education and Safety Program Attendance (40000)

Criteria: The District is required to record and semi-annually report the actual pupil attendance for the After School Education and Safety (ASES) program as defined in Education Code Section 8482.3 – 8484. Education Code Section 8484(a)(1)(B) requires the semi-annual attendance reports to reconcile to the underlying records of attendance.

Condition: ASES program attendance summary reports which is used to report to the CDE does not reconcile to the ASES attendance information per sign-in and sign-out sheets. This resulted in discrepancies of 47 student days overstated out of 1,236 student days tested.

Context: We tested the ASES program at Bel Air Elementary, El Dorado Middle School, and Riverview Middle School, which noted overstatements of 7, 1, and 39 student days, respectively.

Cause: There was a moderate lack on controls over the sign-in and sign-out process at Riverview Middle School.

Effect: The internal control weakness over attendance recordkeeping allows for inaccurate amounts of program attendance to be reported.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is 85% of the projected attendance or greater. Since the finding noted a net over-reporting of 47 student days of attendance, or 3.8% based on the sample audited, the program attendance when corrected does not appear to fall below 85% of the projected attendance; therefore there are no questioned costs.

Recommendation: We recommend that the District should ensure that all source documents for ASES attendance match the reports being submitted for funding. In addition, the District should revise the semi-annual reports to correct for all discrepancies between the report and the sign in/out sheets.

District Response: The district has recently taken this program over from the former contracted service provider and the administrator over the program has instituted new attendance reporting processes that include weekly cross checking of the manually reported attendance with the computerized attendance system to ensure that any errors are corrected immediately.

Finding #2010-1: Internal Audit and Audit Committee (30000)

Finding: The internal audit function in the District does not appear to have been effectively organized in the past and was eliminated during the fiscal year ended 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 reviving and restructuring the internal audit function to effectively monitor compliance and internal controls.

Current Status: The District has elected to not fill the internal audit position at this time due to severe fiscal constraints.

Finding #2010-2: Associated Student Body Internal Controls (30000)

Finding: We audited a sampling of eleven 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
- 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.

Current Status: Partially implemented. See finding #2011-1.

Finding #2010-3: After School Education and Safety Program Attendance (40000)

State Program: After School Education and Safety Program (ASES)

Criteria: Section 19846 of the Standards and Procedures for the Audits of California LEAs requires the auditor to: "Determine whether the reported number of students served, as that term is used in the report, for each selected school is supported by written records that document pupil participation, by tracing the reported numbers through any documentation used to summarize the numbers of students served, to written data origination documentation." (Education Code Sections 8482.3 and 8484)

Condition: ASES program attendance reported to CDE does not reconcile to the attendance summary reports and ASES attendance information per sign-in sheets does not reconcile to attendance information per sign-out sheets. This resulted in discrepancies of 23 student days overstated and 28 student days understated, resulting in a net understatement of 5 student days of attendance out of 1,561 student days tested.

Cause: There was a moderate lack of control over the sign-in and sign-out processes.

Fiscal Impact: None. The ASES program funding is not affected as long as the pupil participation level is 85% of the projected attendance or greater. Since the finding noted a net underreporting of 5 student days of attendance, program attendance did not fall below 85% of the projected attendance; therefore there is no questioned cost.

Effect: The internal control weakness over attendance recordkeeping allows for inaccurate amounts of program attendance to be reported.

Recommendation: The District should ensure that all source documents for ASES attendance match the reports being submitted for funding.

Current Status: Not implemented. See Finding #2011-4.

Finding #2010-4: Short-Term Independent Study (40000)

Criteria: Section 51747 of the Education Code requires Independent Study contracts to be supported by proper documentation as a condition for apportionment attendance.

Condition: In testing short-term independent study we found two instances out of eleven sites tested in which there was no indication of the date the master agreement was signed, as required by Education Code Section 51747(c)(8).

Cause: The preparers of the agreements did not indicate the date the master contract was signed.

Fiscal Impact: The District should revise its 2009-10 P-2 and Annual attendance reports to remove the ADA for the non-compliant contracts. Additionally, since the ADA pertaining to the two non-compliant contracts amounted to 0.12 ADA overstated, the 2009-10 fiscal impact is $735.

Effect: The District claimed ADA for non-compliant short term independent study contracts.

Recommendation: The District needs to revise its 2009-10 P-2 and Annual attendance reports to exclude the attendance days inappropriately claimed.

We also recommend that training be provided on an annual basis to staff involved in the completion of short-term independent study master agreements, to better ensure that the contracts are properly completed in conformity with state law.

Current Status: Implemented

Finding #2010-5: 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 inspection tool (FIT) forms 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: Two out of 13 schools tested (Cambridge Elementary and Fair Oaks Elementary) had complaints on facilities that were not reported in the schools' 2008-09 School Accountability Report Cards, which were audited in 2009-10. Fully reporting complaints is a requirement of the Williams Act.

Cause: School Accountability Report Cards were not filled out correctly based on the most recent FIT forms. Cause unknown.

Fiscal Impact: None.

Effect: The 2008-09 School Accountability Report Cards as tested in the 2009-10 audit did not contain all required elements.

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

Current Status: Not implemented. See finding #2011-3

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 $149,995,000 aggregate principal amount of the District's General Obligation Bonds 2010 Election, 2012 Series E (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Supervisors of the County of Contra Costa on May 8, 2012 (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 Underwriter 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 Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg a Division of Stifel Nicolaus and George K. Baum & Company (collectively, the "Underwriter") 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.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Chief Financial Officer (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.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"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 May 30, 2012 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 290 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, 2012, 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 Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

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

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

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

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes; or

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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 Underwriter 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: June 20, 2012

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: $149,995,000 General Obligation Bonds, 2010 Election, 2012 Series E

Date of Issuance: June 20, 2012

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 June 20, 2012. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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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 a Standard & Poor's rating of AA+. 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, 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, 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 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 San Francisco, 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 San Francisco, 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.