

**MOUNT DIABLO UNIFIED  
SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2014**



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2014*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Mount Diablo Unified School District  
Concord, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 2013-14*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1.G. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities". The adoption of this standard required retrospective application resulting in a \$5,272,948 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 42, and schedule of funding progress on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

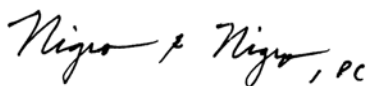
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Diablo Unified School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
December 11, 2014

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
 For the Fiscal Year Ended June 30, 2014

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This discussion and analysis of Mount Diablo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$6.1 million, or 3.1%.
- Governmental expenses were about \$333.2 million. Revenues were about \$327.1 million.
- The District spent over \$67.8 million on new capital assets during the year. These expenditures were incurred primarily from the Measure C bond funds.
- The District decreased its outstanding long-term debt by \$9.8 million. This was primarily due to principal repayments on outstanding bonds.
- Grades K-12 average daily attendance (ADA) decreased by 46, or 0.2%.

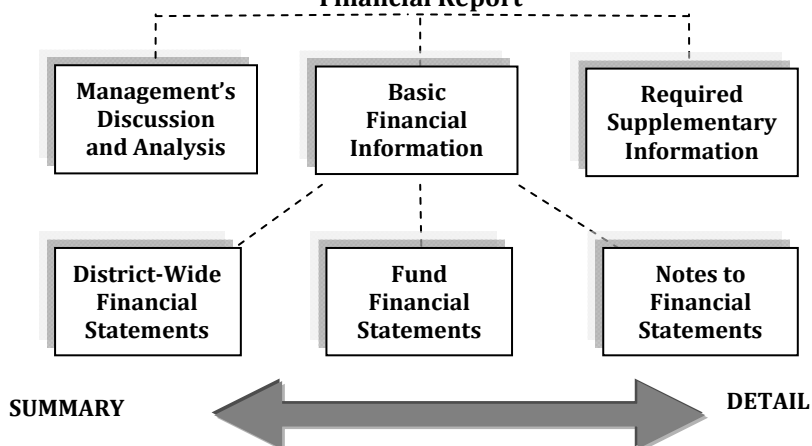
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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





**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

**District-Wide Statements**

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

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

**Fund Financial Statements**

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

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

The District has two kinds of funds:

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Fund Financial Statements (continued)**

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

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

**Net Position.** The District's combined net position was lower on June 30, 2014, than it was the year before – decreasing 3.1% to \$192.4 million (See Table A-1).

**Table A-1**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>(In millions)</b>		
	<b>2014</b>	<b>2013*</b>	
Current assets	\$ 194.7	\$ 261.2	\$ (66.5)
Capital assets	549.7	502.0	47.7
<b>Total assets</b>	<b>744.4</b>	<b>763.2</b>	<b>(18.8)</b>
<b>Total deferred outflows</b>	<b>11.2</b>	<b>12.0</b>	<b>(0.8)</b>
Current liabilities	45.8	49.6	(3.8)
Long-term liabilities	517.4	527.2	(9.8)
<b>Total liabilities</b>	<b>563.2</b>	<b>576.8</b>	<b>(13.6)</b>
Net position			
Net investment in capital assets	132.1	139.5	(7.4)
Restricted	52.3	21.8	30.5
Unrestricted	8.0	37.2	(29.2)
<b>Total net position</b>	<b>\$ 192.4</b>	<b>\$ 198.5</b>	<b>\$ (6.1)</b>

\*As restated

**Changes in net position, governmental activities.** The District's total revenues decreased 1.1% to \$327.1 million (See Table A-2). The decrease is due primarily to decreased property taxes.

The total cost of all programs and services decreased 3.3% to \$333.2 million. The District's expenses are predominantly related to educating and caring for students, 77.9%. The purely administrative activities of the District accounted for just 3.5% of total costs. A significant contributor to the decrease in costs was decreased instructional expenses.

**Table A-2**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>(In millions)</b>		
	<b>2014</b>	<b>2013</b>	
Total Revenues	\$ 327.1	\$ 330.6	\$ (3.5)
Total Expenses	333.2	344.5	(11.3)
Increase (decrease) in net position	\$ (6.1)	\$ (13.9)	\$ 7.8

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$155.6 million, which is below last year's restated ending fund balance of \$219.5 million. The primary cause of the decreased fund balance is ongoing expenditures related to the modernization program.

**General Fund Budgetary Highlights**

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

- Revenues – increased by \$29.6 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$6.1 million due to staffing and collective bargaining changes.
- Other non-personnel expenses – increased \$32.5 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$11.0 million, the actual results for the year show that revenues exceeded expenditures by roughly \$15.0 million. Actual revenues were \$13.6 million less than anticipated, but expenditures were \$39.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2014 that will be carried over into the 2014-15 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2013-14 the District had invested \$67.8 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$20.2 million.

**Table A-3: Capital Assets at Year-End, Net of Depreciation**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>(In millions)</b>		
	<b>2014</b>	<b>2013</b>	
Land	\$ 14.4	\$ 14.4	\$ -
Improvement of sites	94.8	96.8	(2.0)
Buildings	340.0	334.4	5.6
Equipment	3.7	3.4	0.3
Construction in progress	96.8	53.0	43.8
<b>Total</b>	<b>\$ 549.7</b>	<b>\$ 502.0</b>	<b>\$ 47.7</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had \$517.4 million in long-term debt – a decrease of 1.8% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**Table A-4: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>(In millions)</b>		<b>Increase</b>
	<b>2014</b>	<b>2013*</b>	<b>(Decrease)</b>
General obligation bonds	\$ 476.7	\$ 492.8	\$ (16.1)
Construction loan	4.8	5.1	(0.3)
Capital leases	1.7	0.9	0.8
Compensated absences	3.0	3.1	(0.1)
Other postemployment benefits	31.2	25.3	5.9
<b>Total</b>	<b>\$ 517.4</b>	<b>\$ 527.2</b>	<b>\$ (9.8)</b>

\*As restated

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

**Budget Overview**

The Governor signed the *2014-15 Budget Act* on June 20, 2014. In late June, the Governor signed 17 budget-related bills into law. The 2014-15 budget package assumes total state spending of \$152.3 billion, an increase of 8.6 percent over revised totals for 2013-14. This consists of \$108 billion from the General Fund and the Education Protection Account created by Proposition 30 (2012), and \$44.3 billion from special funds. The budget package assumes spending from federal funds to be \$98 billion, an increase of 20.9 percent over 2013-14 revised levels, mainly due to increases in the health area of the budget. Bond spending is expected to decline 53 percent in 2014-15.

**Major Features of the 2014-15 Spending Plan**

Similar to the 2013-14 budget, the 2014-15 spending plan makes targeted augmentations in a few areas while paying down several billion dollars in key liabilities. In addition, if certain revenue and other targets are met, additional spending—mostly for paying down debt—would be “triggered” under the budget plan.

**Fully Funds CalSTRS Pension Program**

As of the end of 2012-13, the California State Teachers' Retirement System (CalSTRS) had a \$74 billion shortfall. Budget-related legislation aims to erase the unfunded liability in 32 years by increasing contributions from the state, school and community college districts, and teachers.

**Proposition 98**

The budget plan includes large Proposition 98 funding increases for schools and community colleges. The Proposition 98 budget continues implementation of the Local Control Funding Formula, pays down most of the remaining payment deferrals, and pays down several hundred million dollars of other Proposition 98 obligations.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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

**Spending Changes**

Funding for K-14 education increases significantly under the new budget package. In the sections that follow, we describe how the State is spending these funds.

**Deferral Payments**

***Pays Down \$5.2 Billion in Outstanding Deferrals***

The budget package pays down \$5.2 billion in outstanding deferrals (\$4.7 billion for schools and \$498 million for community colleges). Of the total paydown, \$1.4 billion is designated as 2012-13 spending, \$3.1 billion is designated as 2013-14 spending, and \$662 million is designated as 2014-15 spending. Under the budget plan, \$992 million in deferrals (\$897 million for schools and \$94 million for community colleges) would remain outstanding at the end of 2014-15.

***Eliminates Remaining Deferrals if Minimum Guarantee Exceeds Estimates***

The budget package pays down additional deferrals (potentially eliminating all outstanding deferrals) if subsequent estimates of the 2013-14 and 2014-15 minimum guarantees are higher than the administration's May 2015 estimates. Effectively, the budget plan earmarks the first \$992 million in potential additional 2013-14 and 2014-15 spending for deferral paydowns.

**Mandates**

***Pays Down \$450 Million in Outstanding Education Mandate Claims***

We estimate the State currently has a backlog of more than \$5 billion in unpaid claims for education mandates. The budget includes \$400 million to reduce the mandate backlog for schools. (Of this amount, \$287 million is 2014-15 Proposition 98 funding and \$113 million is from unspent prior-year fund.) Funds will be distributed to schools and community colleges on a per-student basis.

***Adds Several Mandates to School and Community College Block Grants***

The Commission on State Mandates recently approved seven new reimbursable education mandates. Six of these mandates apply to schools, two apply to community colleges, and one applies to both schools and community colleges. For schools, the budget adds to the block grant mandates related to (1) parental involvement procedures, (2) compliance activities associated with the *Williams v. California* case, (3) uniform complaint procedures, (4) developer fees, (5) charter school oversight, and (6) public contracts.

**Energy Grants**

***State Provides Second-Year Funding for Energy Projects***

Passed by voters in November 2012, Proposition 39 increases state corporate tax revenues and requires for a five-year period, starting in 2013-14, that a portion of these revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 budget provides \$345 million Proposition 98 General Fund for Proposition 39 school and community college energy programs. Specifically, the budget provides \$279 million for school grants, \$38 million for community colleges grants, and \$28 million for the revolving loan program for both schools and community colleges. (Estimates of Proposition 39 revenues are lower in 2014-15 compared to 2013-14, resulting in less provided for school and community college grants.) The budget also provides \$8 million non-Proposition 98 General Fund for Proposition 39 job-training programs administered by the California Conservation Corps (\$5 million) and the California Workforce Investment Board (\$3 million).

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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

**Chapter 751 Obligation**

***Makes Final \$410 Million Payment on Outstanding Proposition 98 Obligations From 2004-05 and 2005-06***

The 2014-15 budget makes a final \$410 million payment to retire the state's obligation set forth in Chapter 751, Statutes of 2006 (SB 1133, Torlakson). Chapter 751 required the state to provide additional annual school and community college payments until a total of \$2.8 billion had been provided. Of the amount provided in the budget package, \$316 million is for continued funding of the QEIA program (\$268 million for schools and \$48 million for community colleges) and \$94 million is to pay down a separate state obligation related to school facility repairs.

**K-12 Education**

The largest K-12 augmentation is for the second-year phase in of the recently adopted Local Control Funding Formula (LCFF). The budget also includes several other school-specific augmentations—some of which relate to school operations and some of which relate to school infrastructure. In addition to these budget actions, the Legislature adopted trailer legislation relating to school district reserves and independent study (IS) programs.

**Operational Funding**

***Provides \$4.7 Billion for LCFF Implementation***

The budget plan includes \$4.7 billion in additional funding for the school district LCFF—resulting in per-pupil LCFF funding that is 12 percent higher than 2013-14 levels. The additional funding is sufficient to close 29 percent of the gap between districts' 2013-14 funding levels and their target funding rates. We estimate the 2014-15 funding level is approximately 80 percent of the full implementation cost. The budget also includes \$26 million for the LCFF for county offices of education (COEs). This increase is sufficient to bring all COEs up to their LCFF funding targets in 2014-15.

***Other Notable K-12 Actions***

The budget provides \$54 million to continue implementation of new student assessments and \$33 million to provide a cost-of-living adjustment (COLA) for several K-12 programs (including special education and child nutrition programs).

**Infrastructure**

***Allocates \$189 Million for Emergency Repair Program (ERP)***

Chapter 899, Statutes of 2004 (SB 6, Alpert), created the ERP to fund critical repair projects at certain low-performing schools. Chapter 899 requires the state to contribute a total of \$800 million for the program. The state has provided \$338 million to date. The budget provides \$189 million for the ERP in 2014-15.

***Allocates \$27 Million in One-Time Funds for School Internet Infrastructure***

The budget includes \$27 million in one-time Proposition 98 funding for schools to purchase Internet connectivity infrastructure upgrades required to administer new computer-based tests. Grantees are to be selected based on the results of a statewide assessment of schools' Internet connectivity infrastructure to be completed by the K-12 High-Speed Network (HSN) by March 1, 2015.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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

***Shifts Remaining Bond Authority Among Certain School Facility Programs***

The budget package shifts remaining bond authority from the Career Technical Education (CTE) and High Performance Incentive (HPI) school facility programs to the New Construction and Modernization facility programs.

**Local Reserves**

***Requires School Districts to Disclose and Justify Reserves***

Chapter 32, Statutes of 2014 (SB 858, Committee on Budget and Fiscal Review), creates new disclosure requirements effective beginning in 2015-16 for districts that have reserves exceeding state-specified minimums. If a district's budget reserve exceeds the state minimum, Chapter 32 requires the district to identify the amount of reserves that exceed the minimum and explain why the higher reserve levels are necessary. The district must disclose this information in a public meeting and each time it submits a budget to its COE.

***Caps Local Reserves Some Years Under Proposition 2***

Proposition 2 on the November 2014 ballot set forth new constitutional provisions relating to state reserves, including provisions relating to a new state reserve for schools. With the voters approving Proposition 2, certain provisions of Chapter 32 go into effect. These provisions cap school districts' reserve levels the year after the state makes a deposit into the new state reserve for schools. The caps for most districts will range from 3 percent to 10 percent of a district's annual expenditures.

All of these factors were considered in preparing the Mount Diablo Unified School District budget for the 2014-15 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 Position

June 30, 2014

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	Total Governmental Activities
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 152,408,474
Investments	14,586,798
Accounts receivable	27,308,149
Inventories	422,770
Total current assets	<u>194,726,191</u>
<b>Capital assets:</b>	
Non-depreciable capital assets	111,241,769
Depreciable capital assets	672,120,974
Less accumulated depreciation	<u>(233,631,637)</u>
Total capital assets, net of depreciation	<u>549,731,106</u>
Total assets	<u>744,457,297</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	<u>11,150,030</u>
 <b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Cash overdraft	5,745,767
Accounts payable	39,391,621
Unearned revenue	658,563
Total current liabilities	<u>45,795,951</u>
<b>Long-term liabilities:</b>	
Due or payable within one year	14,513,970
Due or payable after one year	502,911,051
Total long-term liabilities	<u>517,425,021</u>
Total liabilities	<u>563,220,972</u>
 <b>NET POSITION</b>	
Net investment in capital assets	132,144,977
Restricted for:	
Capital projects	7,151,044
Debt service	22,595,905
Categorical programs	22,515,047
Unrestricted	<u>7,979,382</u>
Total net position	<u>\$ 192,386,355</u>

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instructional Services:					
Instruction	\$ 179,793,336	\$ 42,463	\$ 42,924,669	\$ 5,020	\$ (136,821,184)
Instruction-Related Services:					
Supervision of instruction	12,422,278	1,958	5,286,053	-	(7,134,267)
Instructional library, media and technology	7,695,798	3,960	320,282	-	(7,371,556)
School site administration	19,492,542	1,439	425,768	-	(19,065,335)
Pupil Support Services:					
Home-to-school transportation	8,879,132	7,538	621,383	-	(8,250,211)
Food services	12,485,256	3,198,016	8,931,373	-	(355,867)
All other pupil services	18,866,380	43,187	6,478,734	-	(12,344,459)
General Administration Services:					
Data processing services	2,871,924	1,981	80,882	-	(2,789,061)
Other general administration	8,879,270	88,774	1,326,125	-	(7,464,371)
Plant services	42,125,372	985,495	8,231,281	-	(32,908,596)
Ancillary services	1,203,062	16,435	125,558	-	(1,061,069)
Community services	601,266	-	250,670	-	(350,596)
Enterprise activities	163	-	163	-	-
Transfers between agencies	686,818	-	-	-	(686,818)
Interest on long-term debt	17,214,106	-	-	-	(17,214,106)
Other outgo	-	2,115	203,666	-	205,781
Total Governmental Activities	\$ 333,216,703	\$ 4,393,361	\$ 75,206,607	\$ 5,020	(253,611,715)
<b>General Revenues:</b>					
Property taxes					123,376,155
Federal and state aid not restricted to specific purpose					112,659,248
Interest and investment earnings					1,298,862
Miscellaneous					10,156,958
Total general revenues					247,491,223
Change in net position					(6,120,492)
Net position - July 1, 2013, as originally stated					170,301,810
Adjustments for restatements					28,205,037
Net position - July 1, 2013, as restated					198,506,847
Net position - June 30, 2014					\$ 192,386,355

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Balance Sheet – Governmental Funds

June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 64,212,017	\$ 60,402,403	\$ 22,595,905	\$ 5,198,149	\$ 152,408,474
Investments	1,482,173	-	-	13,104,625	14,586,798
Accounts receivable	23,133,333	3	-	3,162,752	26,296,088
Inventories	294,908	-	-	127,862	422,770
Total Assets	<u>\$ 89,122,431</u>	<u>\$ 60,402,406</u>	<u>\$ 22,595,905</u>	<u>\$ 21,593,388</u>	<u>\$ 193,714,130</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Cash overdraft	\$ -	\$ -	\$ -	\$ 5,745,767	\$ 5,745,767
Accounts payable	22,705,803	8,402,833	-	556,076	31,664,712
Unearned revenue	658,563	-	-	-	658,563
Total Liabilities	<u>23,364,366</u>	<u>8,402,833</u>	<u>-</u>	<u>6,301,843</u>	<u>38,069,042</u>
<b>Fund Balances</b>					
Nonspendable	599,908	-	-	127,862	727,770
Restricted	17,351,763	51,999,573	22,595,905	12,764,170	104,711,411
Committed	-	-	-	2,399,513	2,399,513
Assigned	4,074,764	-	-	-	4,074,764
Unassigned	43,731,630	-	-	-	43,731,630
Total Fund Balances	<u>65,758,065</u>	<u>51,999,573</u>	<u>22,595,905</u>	<u>15,291,545</u>	<u>155,645,088</u>
Total Liabilities and Fund Balances	<u>\$ 89,122,431</u>	<u>\$ 60,402,406</u>	<u>\$ 22,595,905</u>	<u>\$ 21,593,388</u>	<u>\$ 193,714,130</u>

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2014

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<b>Total fund balances - governmental funds</b>				\$ 155,645,088
Amounts reported for governmental <i>activities</i> in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$783,362,743, and the accumulated depreciation is (\$233,631,637).				549,731,106
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:				(31,224,393)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:				
	General obligation bonds payable	(476,662,703)		
	Construction loan payable	(4,840,160)		
	Capital leases payable	(1,655,758)		
	Compensated absences payable	<u>(3,042,007)</u>		(486,200,628)
Deferred amounts on refunding represent amount paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:				11,150,030
In governmental funds, interest subsidies received from the federal government are recognized in the period that they are received. In the government-wide statements, they are recognized in the period in which they are earned.				1,012,061
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:				<u>(7,726,909)</u>
<b>Total net position - governmental activities</b>				<u>\$ 192,386,355</u>

## MOUNT DIABLO UNIFIED SCHOOL DISTRICT

### *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2014*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 204,109,518	\$ -	\$ -	\$ -	\$ 204,109,518
Federal sources	21,971,000	-	2,105,518	9,440,389	33,516,907
Other state sources	40,485,576	-	246,735	597,445	41,329,756
Other local sources	16,050,567	266,773	23,290,201	7,520,426	47,127,967
Total Revenues	<u>282,616,661</u>	<u>266,773</u>	<u>25,642,454</u>	<u>17,558,260</u>	<u>326,084,148</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	171,790,834	-	-	2,881,035	174,671,869
Instruction-related services:					
Supervision of instruction	11,807,629	-	-	436,347	12,243,976
Instructional library, media and technology	2,922,888	-	-	87,063	3,009,951
School site administration	17,513,002	-	-	1,515,187	19,028,189
Pupil support services:					
Home-to-school transportation	10,392,440	-	-	-	10,392,440
Food services	6,617	-	-	11,868,325	11,874,942
All other pupil services	18,565,800	-	-	14,482	18,580,282
Ancillary services	1,198,065	-	-	-	1,198,065
Community services	580,607	-	-	1,647	582,254
Enterprise activities	163	-	-	-	163
General administration services:					
Data processing services	2,861,490	-	-	-	2,861,490
Other general administration	8,664,291	-	-	46,390	8,710,681
Plant services	20,517,116	-	-	1,636,725	22,153,841
Transfers of indirect costs	(426,307)	-	-	426,307	-
Intergovernmental transfers	686,818	-	-	-	686,818
Capital outlay	371,077	70,300,018	-	1,185,473	71,856,568
Debt service:					
Principal	177,237	-	15,085,000	262,511	15,524,748
Interest	21,927	-	17,518,798	-	17,540,725
Total Expenditures	<u>267,651,694</u>	<u>70,300,018</u>	<u>32,603,798</u>	<u>20,361,492</u>	<u>390,917,002</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>14,964,967</u>	<u>(70,033,245)</u>	<u>(6,961,344)</u>	<u>(2,803,232)</u>	<u>(64,832,854)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	-	-	3,789,964	3,789,964
Interfund transfers out	(3,789,964)	-	-	-	(3,789,964)
Proceeds from capital leases	996,607	-	-	-	996,607
Total Other Financing Sources and Uses	<u>(2,793,357)</u>	<u>-</u>	<u>-</u>	<u>3,789,964</u>	<u>996,607</u>
Net Change in Fund Balances	<u>12,171,610</u>	<u>(70,033,245)</u>	<u>(6,961,344)</u>	<u>986,732</u>	<u>(63,836,247)</u>
Fund Balances, July 1, 2013, as originally stated	53,483,722	122,032,818	29,557,249	24,208,915	229,282,704
Adjustments for restatement	<u>102,733</u>	<u>-</u>	<u>-</u>	<u>(9,904,102)</u>	<u>(9,801,369)</u>
Fund Balances, July 1, 2013, as restated	<u>53,586,455</u>	<u>122,032,818</u>	<u>29,557,249</u>	<u>14,304,813</u>	<u>219,481,335</u>
Fund Balances, June 30, 2014	<u>\$ 65,758,065</u>	<u>\$ 51,999,573</u>	<u>\$ 22,595,905</u>	<u>\$ 15,291,545</u>	<u>\$ 155,645,088</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

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**Total net change in fund balances - governmental funds** \$ (63,836,247)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	67,814,527	
Depreciation expense	<u>(20,152,027)</u>	47,662,500

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

15,524,748

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was:

(5,881,447)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premiums for the period is:

3,166,812

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt for the period were:

(996,607)

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

120,323

In governmental funds, interest receivable from the federal government 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 amount for interest subsidies owing at the end of the period was:

1,012,061

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest for the period was:

(2,096,533)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The current year amortization was:

(865,744)

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

69,642

**Change in net position of governmental activities**

\$ (6,120,492)

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2014*

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	Trust Fund	Agency Funds	
	Private-Purpose Trust Fund	Student Body Funds	Debt Service Fund for Special Assessment Debt
<b>ASSETS</b>			
Cash	\$ 5,489	\$ 1,269,221	\$ 3,052,761
Investments	49,000	-	8,775,168
<b>Total Assets</b>	<u>54,489</u>	<u>\$ 1,269,221</u>	<u>\$ 11,827,929</u>
<b>LIABILITIES</b>			
Due to bondholders	-	\$ -	\$ 11,827,929
Due to student groups	-	1,269,221	-
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 1,269,221</u>	<u>\$ 11,827,929</u>
<b>NET POSITION</b>			
Restricted	<u>\$ 54,489</u>		

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Statement of Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended June 30, 2014*

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	Trust Fund
	<u>Private-Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Interest	\$          2,066
<b>DEDUCTIONS</b>	
Operating expenditures	<u>                  45</u>
Change in net position	2,021
Net position - July 1, 2013	<u>          52,468</u>
Net position - June 30, 2014	<u><u>          \$      54,489</u></u>



# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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 Mount Diablo Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District's component units are so intertwined with the District that they are, in substance, the same as the District and, therefore, are blended and reported as if they were part of the District. The District Board of Education also serves as the governing board for the Mount Diablo Unified School District Education Facilities Financing Corporation. Although the board members of the Facilities Financing Corporation are appointed by the District Board, the corporation exists solely to finance the acquisition and construction of equipment and facilities for the District.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because:</u>	<u>Separate Financial Statements</u>
<b>Mount Diablo Unified School District Education Facilities Financing Corporation</b> was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling and leasing public facilities, land, personal property and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under a lease-purchase agreement dated June 1, 2001.	Governing Board composes board of Financing Corporation	Not prepared.

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### **Government-Wide Financial Statements**

The statement of net position 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 revenues, and other nonexchange transactions.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Basis of Presentation, Basis of Accounting (continued)

#### 1. Basis of Presentation (continued)

##### Government-Wide Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues 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. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### 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 and enterprise funds are aggregated and reported as nonmajor funds.

##### Major Governmental Funds

The District reports the following major governmental funds:

**General Fund:** This fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Building Fund:** This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

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

##### Non-Major Governmental Funds

The District reports the following non-major governmental funds:

##### Special Revenue Funds:

**Adult Education Fund:** This fund is used to account for resources committed to adult education programs maintained by the District.

**Cafeteria Fund:** This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

**Deferred Maintenance Fund:** This fund is used to account for resources committed to major repair or replacement of District property.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Basis of Presentation, Basis of Accounting (continued)

#### 1. Basis of Presentation (continued)

##### Non-Major Governmental Funds (continued)

###### Capital Projects Funds:

**Capital Facilities Fund:** This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

**County School Facilities Fund:** This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

**Capital Projects Fund for Blended Component Units:** This fund is used to account for the activity of the Community Facilities Districts.

###### Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

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

**Student Body Funds:** The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. The District maintains these funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District that maintain a student body fund.

**Debt Service Fund for Special Assessment Debt:** This agency fund is used to account for the accumulation of resources for, and the repayment of debt for the CFD bonds.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 2. Measurement Focus, Basis of Accounting

###### **Government-Wide and Fiduciary Fund Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and 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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### **Governmental Fund Financial Statements**

Governmental funds 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 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

#### C. 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 budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

#### D. Encumbrances

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

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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

#### E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position

##### 1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool 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.

##### 2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

##### 3. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Furniture and Equipment	5-20 years
Vehicles	8 years

##### 4. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

##### 5. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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

#### E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

##### 6. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

##### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. This item is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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

#### E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

##### 8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

#### F. Use of Estimates

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

#### G. New GASB Pronouncement

During the 2013-14 fiscal year, the following GASB Pronouncement became effective:

##### **Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Issued 03/12)**

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by \$5,272,948, which is the amount of unamortized debt issuance costs at July 1, 2013.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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

#### G. New GASB Pronouncement (continued)

##### Statement No. 65 (continued)

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

### NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2014 are reported at fair value and consisted of the following:

	Rating	Governmental Funds/Activities	Fiduciary Funds
Pooled Funds:			
Cash in county treasury		\$ 151,773,027	\$ 3,058,250
Cash overdraft in county treasury		(5,745,767)	-
Deposits:			
Cash on hand and in banks		330,447	1,269,221
Cash in revolving fund		305,000	-
Total Cash		\$ 146,662,707	\$ 4,327,471
Investments:			
Local Agency Investment Fund (LAIF)	Not rated	\$ 14,586,798	\$ 49,000
California Asset Management Program (CAMP)	Not rated	-	8,775,168
Total Investments		\$ 14,586,798	\$ 8,824,168



## **MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2014*

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

##### **Pooled Funds**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

##### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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, 2014, \$837,029 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

##### **Investments - Interest Rate Risk**

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2014*

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

Maturities of investments held at June 30, 2014 consisted of the following:

	Fair value	Maturity	
		Less Than One Year	One Year Through Five Years
Local Agency Investment Fund (LAIF)	\$ 14,635,798	\$ 14,635,798	\$ -
CAMP Pool - Money Market	8,775,168	8,775,168	-
	<u>\$ 23,410,966</u>	<u>\$ 23,410,966</u>	<u>\$ -</u>

**Investments - Credit Risk**

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2014, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

**Investments - Concentration of Credit Risk**

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had the following investment that represented more than five percent of the District's net investments.

Local Agency Investment Fund (LAIF)	62.5%
CAMP Pool - Money Market	37.5%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2014*

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government:				
Categorical aid programs	\$ 5,357,593	\$ -	\$ 1,825,112	\$ 7,182,705
State Government:				
LCFF	5,863,071	-	-	5,863,071
Lottery	1,302,008	-	-	1,302,008
Special education	3,823,186	-	-	3,823,186
Categorical aid programs	746,171	-	1,227,848	1,974,019
Local:				
Interest	60,738	3	2,407	63,148
Special education	2,862,737	-	-	2,862,737
Adult education fees	-	-	51,287	51,287
Miscellaneous	3,117,829	-	56,098	3,173,927
Total	<u>\$ 23,133,333</u>	<u>\$ 3</u>	<u>\$ 3,162,752</u>	<u>\$ 26,296,088</u>

**NOTE 4 – INTERFUND TRANSACTIONS**

**Transfers To/From Other Funds**

Transfers to/from other funds for the fiscal year ended June 30, 2014 consisted of the following:

General Fund transfer to Adult Education Fund for apportionment	\$ 3,389,964
General Fund transfer to Cafeteria Fund for especially needy meals	400,000
Total	<u>\$ 3,789,964</u>

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### NOTE 5 – FUND BALANCES

#### Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

At June 30, 2014, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 305,000	\$ -	\$ -	\$ -	\$ 305,000
Stores inventories	294,908	-	-	127,862	422,770
Total Nonspendable	599,908	-	-	127,862	727,770
<b>Restricted:</b>					
Categorical programs	17,351,763	-	-	-	17,351,763
Food service program	-	-	-	3,467,844	3,467,844
Capital projects	-	51,999,573	-	9,296,326	61,295,899
Debt service	-	-	22,595,905	-	22,595,905
Total Restricted	17,351,763	51,999,573	22,595,905	12,764,170	104,711,411
<b>Committed:</b>					
Adult education program	-	-	-	1,974,509	1,974,509
Deferred maintenance program	-	-	-	425,004	425,004
Total Committed	-	-	-	2,399,513	2,399,513
<b>Assigned:</b>					
Site carryover	1,455,925	-	-	-	1,455,925
Supplemental and targeted instruction	2,618,839	-	-	-	2,618,839
Total Assigned	4,074,764	-	-	-	4,074,764
<b>Unassigned:</b>					
Reserve for economic uncertainties	8,131,358	-	-	-	8,131,358
Remaining unassigned balances	35,600,272	-	-	-	35,600,272
Total Unassigned	43,731,630	-	-	-	43,731,630
<b>Total</b>	<b>\$ 65,758,065</b>	<b>\$ 51,999,573</b>	<b>\$ 22,595,905</b>	<b>\$ 15,291,545</b>	<b>\$ 155,645,088</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2014*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Construction in progress	53,038,577	43,766,730	-	96,805,307
Total capital assets not being depreciated	<u>67,475,039</u>	<u>43,766,730</u>	<u>-</u>	<u>111,241,769</u>
Capital assets being depreciated:				
Improvement of sites	103,729,731	1,490,829	-	105,220,560
Buildings	527,483,885	21,548,315	-	549,032,200
Equipment	16,859,561	1,008,653	-	17,868,214
Total capital assets being depreciated	<u>648,073,177</u>	<u>24,047,797</u>	<u>-</u>	<u>672,120,974</u>
Accumulated depreciation for:				
Improvement of sites	(6,948,168)	(3,459,584)	-	(10,407,752)
Buildings	(193,108,968)	(15,978,579)	-	(209,087,547)
Equipment	(13,422,474)	(713,864)	-	(14,136,338)
	<u>(213,479,610)</u>	<u>(20,152,027)</u>	<u>-</u>	<u>(233,631,637)</u>
Total capital assets being depreciated, net	<u>434,593,567</u>	<u>3,895,770</u>	<u>\$ -</u>	<u>438,489,337</u>
Governmental activity capital assets, net	<u>\$ 502,068,606</u>	<u>47,662,500</u>	<u>-</u>	<u>\$ 549,731,106</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 9,843
Instructional Supervision	7,875
Pupil Services	483,591
All Other General Administration	77,259
Plant Services	<u>19,573,459</u>
Total	<u>\$ 20,152,027</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2014

**NOTE 7 – GENERAL LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Balance, July 1, 2013 as originally stated	Adjustments for Restatements	Balance, July 1, 2013 as restated	Additions	Deductions	Balance, June 30, 2014	Amount Due Within One Year
<b>General Obligation Bonds:</b>							
Principal repayments	\$ 449,305,057	\$ -	\$ 449,305,057	\$ -	\$ 15,085,000	\$ 434,220,057	\$ 12,120,000
Accreted interest component	9,168,717	-	9,168,717	2,096,533	-	11,265,250	-
Unamortized issuance premium	34,344,208	-	34,344,208	-	3,166,812	31,177,396	1,928,492
Total - Bonds	492,817,982	-	492,817,982	2,096,533	18,251,812	476,662,703	14,048,492
<b>Special Assessment Debt:</b>							
Principal repayments	31,275,000	(31,275,000)	-	-	-	-	-
Unamortized issuance premium	(11,420)	11,420	-	-	-	-	-
Total - Special Assessment Debt	31,263,580	(31,263,580)	-	-	-	-	-
Construction Loan	5,102,671	-	5,102,671	-	262,511	4,840,160	-
Capital Leases	836,388	-	836,388	996,607	177,237	1,655,758	465,478
Compensated Absences	3,111,649	-	3,111,649	-	69,642	3,042,007	-
Other Postemployment Benefits	25,342,946	-	25,342,946	5,881,447	-	31,224,393	-
Totals	\$ 558,475,216	\$ (31,263,580)	\$ 527,211,636	\$ 8,974,587	\$ 18,761,202	\$ 517,425,021	\$ 14,513,970

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the construction loan are made from the Capital Facilities Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments for postemployment benefits and compensated absences are made from the fund for which the related employee worked.

**A. General Obligation Bonds**

**2002 Election (Measure C)**

In a general election held on March 5, 2002, the voters approved \$250 million of general obligation bonds for the purpose of improving the health and safety conditions of the schools.

**2010 Election (Measure C)**

In a general election held on June 8, 2010, the voters approved \$348 million of general obligation bonds for the purpose of financing the construction, acquisition, furnishing, and equipping of District facilities, and to prepay certain outstanding lease purchase obligations.

A portion of the bonds, issued as 2010 Series B, were designated as “New Clean Renewable Energy Bonds”. Another portion of the bonds, issued as 2011 Series C, were designated as “Qualified School Construction Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”), with a direct payment to be paid to the District by the United States Treasury (the “Treasury”) for each payment of interest due on the bonds. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds.

**Refunding Bonds**

In previous years, beginning in 2011, the District has issued refunding bonds to advance refund certain of the District’s previously issued and outstanding Measure C bonds. Net proceeds from the refunding bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District’s liabilities.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2014

**NOTE 7 – GENERAL LONG-TERM DEBT (continued)**

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

**Refunding Bonds (continued)**

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2014, deferred amounts on refunding of \$11,150,030 remain to be amortized, and there is no principal balance outstanding on the defeased debt.

**Source of Repayment on Bonds**

The Bonds are general obligations of the District only. 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 to pay the principal and interest on each bond as they become due and payable.

A summary of outstanding general obligation bonds issued is presented below:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding, July 1, 2013	Additions	Redeemed During Year	Outstanding, June 30, 2014	
<b>Measure C (2002)</b>									
Series 2004	3.0%-5.625%	7/1/2004	7/1/2029	\$ 121,000,000	\$ 7,900,000	\$ -	\$ 3,875,000	\$ 4,025,000	
Series 2006	4.0%-5.0%	6/1/2006	6/1/2014	59,600,000	1,460,000	-	1,460,000	-	
<b>Measure C (2010)</b>									
Series A	2.46%-4.70%	9/30/2010	8/1/2035	50,456,475	50,456,475	-	-	50,456,475	
Series B	1.244%-5.048%	9/30/2010	8/1/2027	59,540,000	57,855,000	-	-	57,855,000	
Series C	2.0%-5.4%	4/12/2011	8/1/2025	3,865,000	3,860,000	-	-	3,860,000	
Series D	3.22%-5.5%	4/12/2011	8/1/2031	7,133,582	7,133,582	-	-	7,133,582	
Series E	0.3%-5.0%	6/20/2012	6/1/2037	149,995,000	149,995,000	-	7,105,000	142,890,000	
<b>Refunding Issues</b>									
Series 2011	2.0%-5.0%	6/21/2011	8/1/2026	37,790,000	34,180,000	-	1,955,000	32,225,000	
Series B	2.0%-5.0%	12/29/2011	7/1/2023	43,700,000	42,495,000	-	90,000	42,405,000	
Series B-2	2.0%-5.0%	4/5/2012	7/1/2029	40,540,000	39,955,000	-	-	39,955,000	
Series C	2.0%-5.0%	4/10/2013	6/1/2031	54,015,000	54,015,000	-	600,000	53,415,000	
					<u>\$ 449,305,057</u>	<u>\$ -</u>	<u>\$ 15,085,000</u>	<u>\$ 434,220,057</u>	
<b>Accreted Interest:</b>									
					2010, Series A	\$ 8,905,407	\$ 2,014,749	\$ -	\$ 10,920,156
					2010, Series D	263,310	81,784	-	345,094
					<u>\$ 9,168,717</u>	<u>\$ 2,096,533</u>	<u>\$ -</u>	<u>\$ 11,265,250</u>	

The annual requirements to amortize general obligation bonds outstanding at June 30, 2014 is as follows:

Fiscal Year	Principal	Interest	Total
2014-2015	\$ 12,120,000	\$ 17,588,136	\$ 29,708,136
2015-2016	11,267,272	17,410,300	28,677,572
2016-2017	10,607,351	17,065,606	27,672,957
2017-2018	11,913,231	16,648,151	28,561,382
2018-2019	13,465,203	16,140,562	29,605,765
2019-2024	82,573,433	80,939,169	163,512,602
2024-2029	116,385,393	80,295,140	196,680,533
2029-2034	109,779,434	62,406,095	172,185,529
2034-2037	66,108,740	12,086,974	78,195,714
	<u>\$ 434,220,057</u>	<u>\$ 320,580,133</u>	<u>\$ 754,800,190</u>

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 7 - GENERAL LONG-TERM DEBT (continued)

#### B. 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 pays 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, 2014 is \$4,840,160.

#### C. Capital Leases

The District leases school buses having a value of \$2,393,976 under agreements which provide for title to pass upon expiration of the lease period. Future yearly payments on capitalized lease obligations are as follows:

Fiscal Year	Payment
2014-2015	\$ 504,300
2015-2016	351,731
2016-2017	351,731
2017-2018	252,150
2018-2019	152,568
2019-2020	152,568
Total payments	1,765,048
Less amount representing Interest	(109,290)
Total	<u>\$ 1,655,758</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment, classroom or buses.

#### D. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$28,635,000 as of June 30, 2014 does not represent debt of the District and, as such, does not appear in the financial statements.



## MOUNT DIABLO UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2014

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#### NOTE 8 – JOINT VENTURES

The Mount Diablo Unified School District participates in joint ventures under joint powers agreements with the CSAC Excess Insurance Authority (CSAC-EIA), Schools Excess Liability Fund (SELF), the Schools' Self-Insurance of Contra Costa County (SSICCC), and the School Project for Utility Rate Reduction (SPURR). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage as well as health and welfare benefits coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs. Condensed audited financial information, in thousands, for the JPAs are as follows:

	CSAC-EIA June 30, 2013	SELF June 30, 2013	SSICCC June 30, 2014	SPURR June 30, 2013
Assets	\$ 588,152	\$ 166,243	\$ 7,344	\$ 11,360
Liabilities	469,537	129,963	767	5,324
Net Position	<u>\$ 118,615</u>	<u>\$ 36,280</u>	<u>\$ 6,577</u>	<u>\$ 6,036</u>
Revenues	\$ 536,600	\$ 10,829	\$ 14,990	\$ 30,224
Expenses	525,461	14,165	14,080	30,579
Operating Income	11,139	(3,336)	910	(355)
Non-Operating Income(Expense)	1,925	760	-	(29)
Change in Net Position	<u>\$ 13,064</u>	<u>\$ (2,576)</u>	<u>\$ 910</u>	<u>\$ (384)</u>

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

##### A. State and Federal Allowances, Awards and Grants

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

##### B. Construction Commitments

As of June 30, 2014, the District had commitments with respect to unfinished capital projects of \$48.7 million to be paid from a combination of State and local funds.

##### C. Litigation

The District is involved in certain other legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2014.

On August 13, 2014, the Board approved a legal settlement and paid a \$1.2 million deductible to settle the outstanding claim.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 10 – RISK MANAGEMENT

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

### NOTE 11 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), classified employees are members of the Public Employees' Retirement System (PERS), and employees not covered by STRS or PERS are covered under the ING/Northern Annuity APPLE Plan.

#### Plan Description and Provisions

##### **Public Employees' Retirement System (PERS)**

##### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 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 for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 4,740,461	100%
2012-13	\$ 4,598,176	100%
2011-12	\$ 4,529,773	100%

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

#### State Teachers' Retirement System (STRS)

##### 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, disability 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 comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at [www.calstrs.com](http://www.calstrs.com).

##### Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 10,220,659	100%
2012-13	\$ 10,277,437	100%
2011-12	\$ 10,688,838	100%

##### On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state General Fund contributions of approximately \$5.3 million to STRS (4.267% of salaries subject to STRS in 2013-14).

### NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Mount Diablo Unified School District administers a defined benefit postemployment plan, where plan assets may be used only for the payment of benefits to the members of that plan. The plan assets are accounted for in the Retiree Benefit Fund. The District implemented Governmental Accounting Standards Board Statement #45, *Financial Reporting 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	1,054
Active plan members	2,923
Total	<u>3,977</u>

*As of July 1, 2012 actuarial valuation date*

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.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

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 2013-14, the District contributed \$5,065,878.

#### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 10,932,940
Interest on net OPEB obligation	1,267,147
Adjustment to ARC	<u>(1,252,762)</u>
Annual OPEB cost	10,947,325
Contributions made	<u>(5,065,878)</u>
Increase (decrease) in net OPEB obligation	5,881,447
Net OPEB obligation - July 1, 2013	25,342,946
Net OPEB obligation - June 30, 2014	<u><u>\$ 31,224,393</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 8,139,181	56%	\$ 20,279,197
2013	\$ 10,600,315	52%	\$ 25,342,946
2014	\$ 10,947,325	46%	\$ 31,224,393

#### 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.

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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## NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

### Actuarial Methods and Assumptions (continued)

Additional information as of the latest actuarial valuation follows:

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

## NOTE 13 – FUTURE GASB PRONOUNCEMENT

The following statement issued by the Governmental Accounting Standards Board (GASB) will become effective in 2014-15 and is expected to have a significant impact on the District's financial reporting:

### **Statement No. 68, Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)**

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2014*

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**NOTE 13 – FUTURE GASB PRONOUNCEMENTS (continued)**

**Statement No. 68 (continued)**

**Cost-Sharing Employers**

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer’s proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer’s projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer’s proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

**NOTE 14 – ADJUSTMENTS FOR RESTATEMENTS**

The beginning net position on the statement of activities has been restated by \$28,205,037 for the following reasons:

Net position - July 1, 2013, as originally stated	\$	170,301,810
Adjustments and reclassifications		
Adjustment for non-obligatory debt		31,263,580
Reclassification of Debt Service Fund for Special Assessment Debt		(9,951,148)
Adjustment for deferred amounts on refundings		12,015,774
Adjustment for Cafeteria revenues		47,046
Adjustment for accrual for OPEB set aside		102,733
Adjustment for unamortized debt issuance costs		<u>(5,272,948)</u>
Net adjustments and reclassifications		<u>28,205,037</u>
Net position - July 1, 2013, as restated	\$	<u>198,506,847</u>

Additionally, the beginning fund balance for Non-Major Governmental Funds on the statement of Revenues, Expenditures, and Changes in Fund Balances has been restated by \$9,951,148 to remove the Debt Service Fund for Special Assessment Debt, which is now being reported as a Fiduciary Fund.

The beginning fund balance of the General Fund has been restated by \$102,733 to remove an accrual that was set-aside for OPEB. The beginning fund balance of the Cafeteria Fund has been restated by \$47,046 to remove revenue recorded in the incorrect fiscal year.

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***Required Supplementary Information***

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
<b>Revenues</b>				
LCFF Sources	\$ 166,139,919	\$ 208,375,214	\$ 204,109,518	\$ (4,265,696)
Federal Sources	21,173,120	28,549,835	21,971,000	(6,578,835)
Other State Sources	68,558,731	42,221,916	40,485,576	(1,736,340)
Other Local Sources	10,748,759	17,027,448	16,050,567	(976,881)
<b>Total Revenues</b>	<b>266,620,529</b>	<b>296,174,413</b>	<b>282,616,661</b>	<b>(13,557,752)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	126,524,421	133,023,860	127,222,680	5,801,180
Classified Salaries	38,911,248	40,223,099	40,036,682	186,417
Employee Benefits	53,173,216	51,429,886	48,537,660	2,892,226
Books and Supplies	11,565,989	35,579,934	11,136,431	24,443,503
Services and Other Operating Expenditures	38,261,705	42,398,095	38,148,001	4,250,094
Transfers of indirect costs	(492,218)	(847,675)	(426,306)	(421,369)
Capital Outlay	471,600	4,526,807	2,110,565	2,416,242
Intergovernmental	254,994	886,293	885,981	312
<b>Total Expenditures</b>	<b>268,670,955</b>	<b>307,220,299</b>	<b>267,651,694</b>	<b>39,568,605</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,050,426)	(11,045,886)	14,964,967	26,010,853
<b>Other Financing Sources and Uses</b>				
Other Financing Sources	-	1,248,559	-	(1,248,559)
Interfund Transfers Out	(3,519,751)	(3,789,964)	(3,789,964)	-
Proceeds from capital leases	-	-	996,607	996,607
<b>Total Other Financing Sources and Uses</b>	<b>(3,519,751)</b>	<b>(2,541,405)</b>	<b>(2,793,357)</b>	<b>(251,952)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,570,177)	(13,587,291)	12,171,610	25,758,901
Fund Balances, July 1, 2013	53,483,722	53,483,722	53,586,455	102,733
Fund Balances, June 30, 2014	\$ 47,913,545	\$ 39,896,431	\$ 65,758,065	\$ 25,861,634

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Schedule of Funding Progress*

*For the Fiscal Year Ended June 30, 2014*

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
5/1/2008	\$ -	\$ 71,018,299	\$ 71,018,299	0%	\$ 191,822,548	37%
7/1/2012	\$ -	95,744,443	95,744,443	0%	174,900,000	55%

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedules**

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

**Schedule of Funding Progress**

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

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

At June 30, 2014, the District incurred the following excess of expenditures over appropriations in individual major fund presented in the Budgetary Comparison Schedule:

General Fund:		
Transfers of indirect costs	\$	421,369

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***Supplementary Information***

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2014*

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The Mount Diablo Unified School District was established on July 1, 1949. The District is located in Contra Costa County and serves students in the cities of Concord, Pleasant Hill, Walnut Creek, and portions of the cities of Clayton, Martinez, Pittsburg, and other surrounding communities. There were no changes in the boundaries of the District during the current year. The District currently operates 28 elementary schools, nine middle schools, five high schools, two special education schools, one continuation high school, five necessary small high schools, one independent study school, and two adult education centers.

**GOVERNING BOARD**

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

**DISTRICT ADMINISTRATORS**

Dr. Nellie Meyer,  
*Superintendent*

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

Julie Braun Martin,  
*Assistant Superintendent, Personnel Services*

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

Bryan Richards, <sup>1</sup>  
*Chief Financial Officer*

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<sup>1</sup> This position was eliminated during the year. Effective July 1, 2014, Nance Juner is the Interim Director of Budget and Fiscal Services.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2014*

**Second Period Report - Certificate No. (A4C50FE1)**

<b>Regular ADA:</b>	<b>TK/K-3</b>	<b>Grades 4-6</b>	<b>Grades 7-8</b>	<b>Grades 9-12</b>	<b>Total</b>	<b>Adjusted Audited Total</b>
Regular ADA	10,208.88	7,321.23	4,917.42	7,776.40	30,223.93	30,222.73
Extended Year Special Education	22.01	17.12	6.41	12.72	58.26	58.26
Special Education - Nonpublic, Nonsectarian schools	7.17	22.45	24.25	89.87	143.74	143.74
Extended Year - Nonpublic, Nonsectarian Schools	0.82	2.55	3.24	10.28	16.89	16.89
Community Day School	-	-	7.33	10.26	17.59	17.59
<b>Total ADA</b>	<b>10,238.88</b>	<b>7,363.35</b>	<b>4,958.65</b>	<b>7,899.53</b>	<b>30,460.41</b>	<b>30,459.21</b>

**Other (included in Regular ADA amounts):**

Full-Time Independent Study	179.37					
Transitional Kindergarten	312.58					311.78
Continuation Education	378.59					
Opportunity Classes	31.74					

**Annual Report - Certificate No. (D4E1B7A9)**

<b>Regular ADA:</b>	<b>TK/K-3</b>	<b>Grades 4-6</b>	<b>Grades 7-8</b>	<b>Grades 9-12</b>	<b>Total</b>	<b>Adjusted Audited Total</b>
Regular ADA	10,211.29	7,312.84	4,909.48	7,666.77	30,100.38	30,099.53
Extended Year Special Education	22.01	17.12	6.41	12.72	58.26	58.26
Special Education - Nonpublic, Nonsectarian schools	7.42	23.15	24.90	87.74	143.21	143.21
Extended Year - Nonpublic, Nonsectarian Schools	0.82	2.55	3.24	10.28	16.89	16.89
Community Day School	-	-	5.94	7.97	13.91	13.91
<b>Total ADA</b>	<b>10,241.54</b>	<b>7,355.66</b>	<b>4,949.97</b>	<b>7,785.48</b>	<b>30,332.65</b>	<b>30,331.80</b>

**Other (included in Regular ADA amounts):**

Full-Time Independent Study	182.60					
Transitional Kindergarten	312.93					
Continuation Education	370.09					
Opportunity Classes	30.06					

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2014*

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Grade Level	1986-87 Minutes		2013-14 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	36,000	180	Complied
Grade 1	50,400	49,000	51,944	180	Complied
Grade 2	50,400	49,000	51,944	180	Complied
Grade 3	50,400	49,000	51,944	180	Complied
Grade 4	54,000	52,500	55,800	180	Complied
Grade 5	54,000	52,500	55,800	180	Complied
Grade 6	54,000	52,500	58,338	180	Complied
Grade 7	54,000	52,500	58,338	180	Complied
Grade 8	54,000	52,500	58,338	180	Complied
Grade 9	64,800	63,000	65,106	180	Complied
Grade 10	64,800	63,000	65,106	180	Complied
Grade 11	64,800	63,000	65,106	180	Complied
Grade 12	64,800	63,000	65,106	180	Complied

\* Amounts reduced as permitted by Education Code Section 46201.2 (a).

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

General Fund	(Budget) 2015 <sup>2</sup>	2014	2013	2012
Revenues and other financing sources	\$ 279,394,733	\$ 283,613,268	\$ 278,316,060	\$ 283,361,882
Expenditures	288,656,291	267,651,694	274,878,260	284,402,724
Other uses and transfers out	3,355,047	3,789,964	3,637,547	3,999,670
Total outgo	292,011,338	271,441,658	278,515,807	288,402,394
Change in fund balance (deficit)	(12,616,605)	12,171,610	(199,747)	(5,040,512)
Ending fund balance	\$ 53,141,460	\$ 65,758,065	\$ 53,586,455	\$ 36,814,732
Available reserves <sup>1</sup>	\$ 36,529,371	\$ 43,731,630	\$ 35,958,103	\$ 32,386,134
Available reserves as a percentage of total outgo	12.5%	16.1%	12.9%	11.2%
Total long-term debt <sup>3</sup>	\$ 506,950,839	\$ 517,425,021	\$ 527,211,636	\$ 524,824,489
Average daily attendance at P-2	29,099	30,460	30,506	32,384

The General Fund balance has increased by \$28,943,333 over the past two years. The fiscal year 2014-15 adopted budget projects a decrease of \$12,616,605. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2014-15 fiscal year. Long-term debt has decreased by \$7,399,468 over the past two years.

Average daily attendance has decreased by 1,924 over the past two years. A decrease of 1,361 ADA is projected during fiscal year 2014-15.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Revised Final Budget September, 2014.

<sup>3</sup> As restated.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Charter Schools*  
*For the Fiscal Year Ended June 30, 2014*

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2014*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	\$ 66,114	
School Breakfast Program - Especially Needy	10.553	13526	1,447,745	
National School Lunch Program	10.555	13523	5,757,854	
USDA Donated Foods	10.555	N/A	530,891	
Summer Food Service Program Operations	10.559	13004	<u>157,106</u>	
Total Child Nutrition Cluster				\$ 7,959,710
Child and Adult Care Food Program	10.558	13393		<u>759,075</u>
Total U.S. Department of Agriculture				<u>8,718,785</u>
U.S. Department of Defense:				
J.R.O.T.C.				
	12.030	N/A		<u>190,098</u>
Total U.S. Department of Defense				<u>190,098</u>
U.S. Department of Labor:				
Passed through Eastbay Works				
Workforce Investment Act From Other Agencies	17.259	N/A		<u>21,869</u>
Total U.S. Department of Labor				<u>21,869</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Education: Adult Basic Education and ESL	84.002A	14508	298,723	
Adult Education: Adult Secondary Education	84.002	13978	84,407	
Adult Education: English Literacy and Civics Education	84.002A	14109	<u>150,113</u>	
Total Adult Education - State Grants Cluster				533,243
Pell Grants	84.063	N/A		216,969
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		4,292,978
Title I, Part G, Advanced Placement Test Reimbursement Program	84.330B	14831		19,080
Title I, School Improvement Grants for QEIA Schools	84.377	14971	4,032,987	
ARRA Title I, Schol Improvement Grants for QEIA Schools	84.389	15004	<u>1,545,038</u>	
Total School Improvement Grants Cluster				5,578,025
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		1,284,708
Title III, Limited English Proficiency	84.365	14346		670,031
Title IV, Part B, 21st CCLC - High School ASSETs	84.287	14349		576,959
Carl D. Perkins Career and Technical Education: Secondary, Sec. 131	84.048	14894	213,888	
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	<u>50,619</u>	
Total Career and Technical Education - Basic Grants to States Cluster				264,507
Safe and Supportive Schools Programmatic Intervention	84.184	15164		507,914
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	5,182,826	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	31,190	
Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	619,700	
Preschool Grants, Part B, Sec 619	84.173	13430	194,601	
Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	52,170	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	263,749	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	1,889,066	
Part B, Sec 611, Preschool Local Entitlement Early Intervening Services	84.027	10132	63,080	
Preschool Staff Development, Part B, Sec 619	84.173	13431	72	
Alternate Dispute Resolution	84.173A	13007	<u>14,517</u>	
Total Special Education (IDEA) Cluster				8,310,971
State Improvement Grant, Improving Special Ed Systems	84.323	14913		11,583
IDEA Early Intervention Grants, Part C	84.181	23761		<u>161,462</u>
Total U.S. Department of Education				<u>22,428,430</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013	282,106	
Medi-Cal Administrative Activities	93.778	10060	<u>317,701</u>	
Total Medicaid Cluster				599,807
Total U.S. Department of Health & Human Services				<u>599,807</u>
Corporation for National and Community Service				
CalSERVES After School Program	94.006	N/A		<u>722</u>
Total Corporation for National and Community Service				<u>722</u>
Total Expenditures of Federal Awards				<u>\$ 31,959,711</u>

See accompanying note to supplementary information.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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	General Fund	Cafeteria Fund	Building Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
June 30, 2014, annual financial and budget report (SACS) fund balances	\$ 70,782,540	\$ 3,701,222	\$ 52,161,960
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Accounts receivable overstated	(5,727,758)	(105,516)	-
Accounts payable overstated	1,195,376	-	-
Accounts payable understated	<u>(492,093)</u>	<u>-</u>	<u>(162,387)</u>
Net adjustments and reclassifications	<u>(5,024,475)</u>	<u>(105,516)</u>	<u>(162,387)</u>
June 30, 2014, audited financial statement fund balances	<u>\$ 65,758,065</u>	<u>\$ 3,595,706</u>	<u>\$ 51,999,573</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Combining Balance Sheet – Non-Major Governmental Funds*  
*June 30, 2014*

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Total Non-Major Governmental Funds
<b>ASSETS</b>							
Cash	\$ -	\$ 1,606,844	\$ 274,264	\$ 3,234,827	\$ -	\$ 82,214	\$ 5,198,149
Investments	621,754	709,254	249,282	1,217,494	8,234,327	2,072,514	13,104,625
Accounts receivable	1,687,910	1,474,701	-	-	-	141	3,162,752
Inventories	-	127,862	-	-	-	-	127,862
Total Assets	<u>\$ 2,309,664</u>	<u>\$ 3,918,661</u>	<u>\$ 523,546</u>	<u>\$ 4,452,321</u>	<u>\$ 8,234,327</u>	<u>\$ 2,154,869</u>	<u>\$ 21,593,388</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Cash overdraft	\$ 257,697	\$ -	\$ -	\$ -	\$ 5,488,070	\$ -	\$ 5,745,767
Accounts payable	77,458	322,955	98,542	-	47,534	9,587	556,076
Total Liabilities	<u>335,155</u>	<u>322,955</u>	<u>98,542</u>	<u>-</u>	<u>5,535,604</u>	<u>9,587</u>	<u>6,301,843</u>
<b>Fund Balances</b>							
Nonspendable	-	127,862	-	-	-	-	127,862
Restricted	-	3,467,844	-	4,452,321	2,698,723	2,145,282	12,764,170
Committed	1,974,509	-	425,004	-	-	-	2,399,513
Total Fund Balances	<u>1,974,509</u>	<u>3,595,706</u>	<u>425,004</u>	<u>4,452,321</u>	<u>2,698,723</u>	<u>2,145,282</u>	<u>15,291,545</u>
Total Liabilities and Fund Balances	<u>\$ 2,309,664</u>	<u>\$ 3,918,661</u>	<u>\$ 523,546</u>	<u>\$ 4,452,321</u>	<u>\$ 8,234,327</u>	<u>\$ 2,154,869</u>	<u>\$ 21,593,388</u>

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2014

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County Schools Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Special Assessment Debt	Total Non-Major Governmental Funds
<b>REVENUES</b>								
Federal sources	\$ 822,700	\$ 8,617,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,440,389
Other state sources	82,619	514,826	-	-	-	-	-	597,445
Other local sources	1,671,129	3,318,247	1,724	1,708,650	5,020	815,656	-	7,520,426
Total Revenues	2,576,448	12,450,762	1,724	1,708,650	5,020	815,656	-	17,558,260
<b>EXPENDITURES</b>								
Current:								
Instructional services:								
Instruction	2,881,035	-	-	-	-	-	-	2,881,035
Instruction-related services:								
Supervision of instruction	436,347	-	-	-	-	-	-	436,347
Instructional library, media and technology	87,063	-	-	-	-	-	-	87,063
School site administration	1,515,187	-	-	-	-	-	-	1,515,187
Pupil Support Services:								
Food services	-	11,868,325	-	-	-	-	-	11,868,325
All other pupil services	14,482	-	-	-	-	-	-	14,482
Community services	1,647	-	-	-	-	-	-	1,647
General Administration Services:								
Other general administration	-	-	-	46,390	-	-	-	46,390
Plant services	509,222	-	282,270	-	-	845,233	-	1,636,725
Transfers of indirect costs	116,039	310,268	-	-	-	-	-	426,307
Capital outlay	-	-	145,251	3,340	1,036,558	324	-	1,185,473
Debt service:								
Principal	-	-	-	262,511	-	-	-	262,511
Total Expenditures	5,561,022	12,178,593	427,521	312,241	1,036,558	845,557	-	20,361,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,984,574)	272,169	(425,797)	1,396,409	(1,031,538)	(29,901)	-	(2,803,232)
<b>OTHER FINANCING SOURCES (USES)</b>								
Interfund transfers in	3,389,964	400,000	-	-	-	-	-	3,789,964
Total Other Financing Sources and Uses	3,389,964	400,000	-	-	-	-	-	3,789,964
Net Change in Fund Balances	405,390	672,169	(425,797)	1,396,409	(1,031,538)	(29,901)	-	986,732
Fund Balances, July 1, 2013, as originally stated	1,569,119	2,876,491	850,801	3,055,912	3,730,261	2,175,183	9,951,148	24,208,915
Adjustments for restatements (Note 14)	-	47,046	-	-	-	-	(9,951,148)	(9,904,102)
Fund Balances, July 1, 2013, as restated	1,569,119	2,923,537	850,801	3,055,912	3,730,261	2,175,183	-	14,304,813
Fund Balances, June 30, 2014	\$ 1,974,509	\$ 3,595,706	\$ 425,004	\$ 4,452,321	\$ 2,698,723	\$ 2,145,282	\$ -	\$ 15,291,545



# **MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Note to the Supplementary Information*

*June 30, 2014*

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## **NOTE 1 – PURPOSE OF SCHEDULES**

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

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

### **Schedule of Instructional Time**

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. 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 the 1986-87 requirement, as reduced by Education Code section 46201.2(a).

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

### **Schedule of Expenditures of Federal Awards**

The 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.

### **Subrecipients**

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

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

### **Combining Financial Statements**

These financial statements report the financial activity of the individual non-major funds.

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***Other Independent Auditors' Reports***

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**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 Education  
Mount Diablo Unified School District  
Concord, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Mount Diablo Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2014-1 and 2014-3 to be material weaknesses.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-2 to be a significant deficiency.

**Compliance and Other Matters**

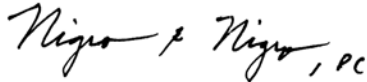
As part of obtaining reasonable assurance about whether Mount Diablo Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 Findings 2014-4 through 2014-5.

**Mount Diablo Unified School District's Responses to Findings**

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. Mount Diablo Unified School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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



Murrieta, California  
December 11, 2014



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Mount Diablo Unified School District
Concord, California

Report on Compliance for State Programs

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 2013-14, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. Mount Diablo Unified School District's state programs are identified below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mount Diablo Unified School District's State programs based on our audit of the types of compliance requirements referred to below. 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 Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14. 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 below occurred. An audit includes examining, on a test basis, evidence about Mount Diablo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each State program. However, our audit does not provide a legal determination of Mount Diablo Unified School District's compliance.

Table with 3 columns: Description, Procedures in Audit Guide, Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time for School Districts, Instructional Materials General Requirements, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, and Early Retirement Incentive.

Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

We did not perform testing of the California Clean Energy Jobs Act because the District did not have an approved plan as of June 30, 2014.

***Opinion on Compliance with State Programs***

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

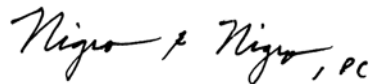
***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, and which are described in the accompanying schedule of findings and questioned costs as Findings 2014-4 and 2014-5.

***District's Responses to Findings***

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

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.



Murrieta, California  
December 11, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE**

Board of Education  
Mount Diablo Unified School District  
Concord, California

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

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Mount Diablo Unified School District's major federal programs for the year ended June 30, 2014. Mount Diablo Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Mount Diablo Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Diablo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mount Diablo Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



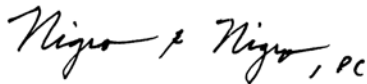
### **Report on Internal Control Over Compliance**

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

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

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

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



Murrieta, California  
December 11, 2014

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***Findings and Questioned Costs***

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**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.377 &amp; 84.389</u>	<u>Title I, School Improvement Grants Cluster</u>
<u>10.553, 10.555 &amp; 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 958,791</u>
Auditee qualified as low-risk auditee?	<u>No</u>

***State Awards***

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

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

**Finding 2014-1: Associated Student Body (ASB) Oversight (30000)**

**Finding:** During our review of the ASB oversight procedures at the District Office, we discovered that there is currently no review process of ASB accounting due to the elimination of a position several years ago. The District Office requests bank statements from the ASBs on a monthly basis, but does not review the statements or reconciliations. Furthermore, the District Office does not require financial statements to be submitted to the District Office. Due to this lack of oversight, the District is unable to determine if all ASB accounts have been properly reported. There is a risk that ASB accounts could be misstated and that this misstatement would go undetected by the District Office.

**Recommendation:** We recommend that the District establish an employee in the Business Office to be responsible for the oversight of the ASB accounts. This position should review bank statements and reconciliations on a monthly basis. Additionally, income and loss statements and balance sheets should be reviewed on a quarterly basis, at a minimum.

**District Response:** With the inherent risk that comes with operating ASBs, we are dedicated to ensuring that the ASBs have adequate supervision to ensure that all required procedures are being followed. We will be requesting additional staff to allow an employee at the District Office to review bank statements and reconciliations, income and loss statements, and balance sheets on a monthly basis, as well as act as a resource for the ASBs to answer any questions or concerns they may have.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION II - FINANCIAL STATEMENT FINDINGS (continued)**

**Finding 2014-2: Associated Student Body (ASB) Controls (30000)**

**Finding:** During our review of the ASB controls at the school sites, we noted the following:

1. ASB bookkeepers are signers on bank accounts at several schools.
2. Disbursements were not approved by the District representative, ASB and/or student representative, prior to incurring the expense.
3. Evidence of receipt of goods or services was not consistently noted prior to disbursement.
4. Revenue potentials are not prepared for fundraising events.
5. Cash receipting documentation was insufficient or did not agree to the amounts deposits.
6. Bank reconciliations were not prepared in a timely manner or were not prepared at all.
7. At Mt. Diablo High, site personnel were unable to provide supporting documentation for most transactions. Additionally, based on our interviews with site personnel, we noted a lack of control implementation over record-keeping, disbursements, receipting and reconciliations. We noted the following concerns:
  - ❖ ASB accounting records have not been maintained in the computerized system for several months.
  - ❖ The safe contained numerous checks, some dating as far back as January, which had not been deposited.
  - ❖ The safe also contained cash in excess of \$1,900 with no indication of what collection activity had generated the income.
  - ❖ Bank reconciliations have not been completed since January
8. We noted the purchase of gift cards, an iPod, and a reimbursement to an employee with insufficient documentation. These disbursements appear to be unallowable or questionable.

**Recommendation:** We recommend the following:

1. Those who record the transaction should be separate from those who authorize and execute the transaction. We therefore recommend that the bookkeepers be removed as authorized signers on the ASB bank accounts. Instead, they should be given "view only" authority.
2. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. We recommend that the site adopt a procedure for compliance with the Education Code in obtaining the required approvals.
3. We recommend that the site document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing "ok to pay" or "received" and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.
4. It is important for student organizations to have adequate internal controls over their fundraising events, properly evaluate the effectiveness of those events, and account for a fundraiser's financial activity. Revenue potentials are used as a budgeting and planning tool. The form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income. We recommend that revenue potentials be prepared for all major fundraising activities.
5. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION II - FINANCIAL STATEMENT FINDINGS (continued)**

**Finding 2014-2: Associated Student Body (ASB) Controls (30000) (continued)**

**Recommendation (continued):**

6. Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or ASB Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed. Review of the bank reconciliations by someone other than the ASB Bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.
7. We recommend that the District assist in the bookkeeping and reconciliation duties until a full-time bookkeeper can be trained on the correct ASB procedures. We further recommend that the District investigate the discrepancies noted above.
8. We recommend that the District investigate the noted discrepancies and assist the ASB in developing guidelines for allowable and unallowable purchases.

**District Response:** To address these issues, we plan to provide training to each ASB bookkeeper to ensure that they are aware of the proper procedures for ASB accounting. We will reinforce the importance of implementing each of the recommendations noted above. In addition, we believe that having a designated employee at the District Office to be used as a resource for the ASBs will help correct these issues, as the bookkeepers will have a contact to go with any questions that arise. The employee at the District Office will also be reviewing ASB financial information on a monthly basis and will therefore be able to provide feedback to the bookkeepers in a timely manner.

**Finding 2014-3: Year-End Closing (30000)**

**Finding:** Due to the high degree of management turnover and limited District staffing, the District was unable to provide adequate supporting documentation for several account balances during our audit. The District could not provide evidence to support the balances in accounts receivable in multiple funds and accounts payable in the General Fund.

Additionally, the District was unable to provide supporting schedules for any capital assets acquired prior to the 2013-14 fiscal year. Our audit was able to determine that the current year expenditures were for proper capital costs, but we were unable to substantiate the balance of the capital asset classes prior to the current fiscal year. Capital assets represent one of the largest investments of the District; control and accountability are of significant concern. Generally accepted accounting principles (GAAP) and Education Code Section 35168 require the District to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.

The lack of accounting records could lead to the material misstatement of the financial statements of the District. Our audit procedures were expanded significantly to allow us to obtain sufficient audit evidence to determine that the account balances were not materially misstated.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION II - FINANCIAL STATEMENT FINDINGS (continued)**

**Finding 2014-3: Year-End Closing (30000) (continued)**

**Recommendation:** We recommend that adequate supporting documentation be maintained for all transactions and account balances. The District should investigate the need for additional staffing in the Business Office. Additionally, we recommend that the District compile an up-to-date capital asset listing, and investigate the utility in implementing a capital asset system to track the District's capital assets.

**District Response:** We are in the process of compiling a current capital asset listing. We understand the importance of maintaining records that account for capital assets and will provide training to District employees to ensure that proper procedures are followed. We are also looking into the possibility of implementing a system to track our capital assets.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

***There were no federal award findings or questioned costs in 2013-14.***

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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

**Finding 2014-4: CALPADS Unduplicated Pupil Count (40000)**

**Criteria:** In order to be counted in CALPADS report 1.17, a student must have an open primary or short-term enrollment in CALPADS over Census Day (the first Wednesday in October) and meet one or more of the following criteria:

- Have a program record with an education program code of homeless, Migrant, Free Meal Program, or Reduced-Price Meal Program, that is open over Census Day
- Have an English Language Acquisition Status of “English learner” (EL) that is effective over Census Day
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS
- Be identified as a foster youth based on a statewide match conducted by CALPADS
- Be identified as foster youth through a local data matching process and submitted to and validated by CALPADS (functionality will be implemented in fall 2014)

**Condition:** During our testing of the Free and Reduced Price Meal (FRPM) eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted 10 students who were classified as FRPM eligible, but did not have an application or income eligibility form on file to support the designation. We noted one student who was classified as EL, but did not have evidence to support the designation. Additionally, we noted two students who were classified as FRPM eligible and EL, but who did not have evidence supporting either designation.

**Questioned Cost:** \$2,314.

**Cause:** The CALPADS reports were not updated in a timely manner to correct student changes in the 2013-14 year.

**Effect:** The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

School Site	CALPADS Reported	Adjusted based on eligibility for:			Adjusted Total
		FRPM	EL	FRPM or EL	
Horizons Alternative	37	(1)	-	-	36
Mt. Diablo Elementary	89	(3)	-	-	86
Northgate High	184	-	(1)	-	183
Nueva Vista High (Continuation)	17	(1)	-	(1)	15
Olympic Continuation High	253	-	-	(1)	252
Pine Hollow Middle	279	(4)	-	-	275
Shore Acres Elementary	518	-	-	-	518
Sunrise (Special Education)	38	(1)	-	-	37
Aggregate remaining school sites	14,447	-	-	-	14,447
District-wide	15,862	(10)	(1)	(2)	15,849

The enrollment count of 31,740 was not impacted as a result of the procedures performed.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)**

**Finding 2014-4: CALPADS Unduplicated Pupil Count (40000) (continued)**

**Recommendation:** We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.

**District Response:** We have developed and implemented a plan with the help of Food and Nutrition Services to ensure that the CALPADS system is updated once all free and reduced price meal applications have been received and processed.

**Finding 2014-5: P-2 and Annual Attendance Reports (10000)**

**Criteria:** Education Code Section 51747(c) and the California Code of Regulations, Title 5, Section 11702 require that attendance generated through independent study be supported by a fully executed master agreement which contains all of the required elements.

Additionally, the P-2 Report is required to report ADA for students in transitional kindergarten.

**Condition:** During our review of the independent study master agreements, we noted that several agreements were lacking several of the required elements as follows: major objectives of course study, methods of study for the pupil's work, specific resources to be made available to the pupil by the District, and the number of course credits to be earned if the objective is reached. The exceptions were noted as follows:

- ❖ **Ayers Elementary:** Five of the independent study contracts sampled
- ❖ **Diablo View Middle:** Four of the independent study contracts sampled
- ❖ **Mt. Diablo Elementary:** Five of the independent study contracts sampled
- ❖ **Woodside Elementary:** Three of the independent study contracts sampled
- ❖ **Silverwood Elementary:** Four of the independent study contracts sampled
- ❖ **Sequoia Middle:** Three of the independent study contracts sampled
- ❖ **Pine Hollow Middle:** Two of the independent study contracts sampled

During our review of the P-2 Attendance Report, we noted an input error of 0.80 ADA for transitional kindergarten report on line B-3 of the P-2 Attendance Report.

**Questioned Cost:** \$1,175. There is no questioned cost for the transitional kindergarten input error.

**Cause:** The independent study contracts were executed without meeting all of the required elements.

**Effect:** ADA is overstated by 1.20 on the P-2 Report and 0.85 on the Annual Report. ADA is impacted by grade span as follows:

Grade Span	P-2 Report ADA Impact	Annual Report ADA Impact
TK/K-3	0.62	0.44
Grades 4-6	0.42	0.29
Grades 7-8	0.16	0.12
Total	1.20	0.85

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)**

**Finding 2014-5: P-2 and Annual Attendance Reports (10000) (continued)**

**Recommendation:** We recommend that the District work with the sites to revise their master agreement to include all of the required elements. Additionally, we recommend that the site review all attendance reports for accuracy to ensure there are no input errors in the future.

**District Response:** The District is working on making sure all sites are using the appropriate forms and properly executing all independent study agreements to avoid future losses of apportionment credit.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2014*

<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<p><i>Finding 2013-1: ASB Internal Control</i></p>	<p>Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meeting reduces the opportunity for irregularities to go undetected. The Fiscal Crisis &amp; Management Assistance Team (FCMAT) Associated Student Body Accounting Manual &amp; Desk Reference outlines proper internal control procedures for associated student body accounts to follow.</p> <p>Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:</p> <p><i>Highlands Elementary</i></p> <ul style="list-style-type: none"> <li>• The ASB bookkeeper is a signor on the bank account.</li> <li>• A double signature is not required on checks.</li> </ul> <p><i>Foothill Middle School</i></p> <ul style="list-style-type: none"> <li>• 2 out of 10 disbursements showed that checks were written prior to receiving proper approval.</li> <li>• 1 out of 10 disbursements was not properly approved and the approval form was missing the signature from the Principal and Student Representative.</li> <li>• 1 out of 10 disbursements was missing an itemized receipt to support the reimbursement (credit card receipt only).</li> <li>• 1 out of 10 disbursements was missing a receipt to support the payment.</li> <li>• Voided checks are not maintained in the file.</li> <li>• The ASB bookkeeper is also a signor on the account.</li> </ul> <p><i>Mt. Diablo High School</i></p> <ul style="list-style-type: none"> <li>• 9 out of 15 of the cash receipts tested were missing adequate supporting documentation (tally sheets, inventory count, or sales support) to reconcile the amount of sales or collections to the deposit.</li> </ul>	<p>30000</p>	<p>The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual &amp; Desk Reference and reinforce the need for sound internal control procedures to be implemented.</p>	<p>Not Implemented. See Finding 2014-2.</p>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2014*

<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<p><i>Finding 2013-1: ASB Internal Control (continued)</i></p>	<p><i>Mt. Diablo High School (continued)</i></p> <ul style="list-style-type: none"> <li>• 2 out of 15 cash receipts could not be traced to the deposit. Auditor could not reconcile the cash receipt to a deposit amount.</li> <li>• ASB bookkeeper is also a signor on the account.</li> </ul> <p><i>Sequoia Middle School</i></p> <ul style="list-style-type: none"> <li>• 7 out of 10 of the cash receipts tested were missing adequate supporting documentation to reconcile the amount of sales or collections to the deposit.</li> <li>• A periodic inventory count should be performed for the student store.</li> <li>• The ASB bookkeeper is also a signor on the account.</li> </ul> <p><i>Ygnacio Valley High School</i></p> <ul style="list-style-type: none"> <li>• 9 out of 15 of the cash receipts tested were missing adequate supporting documentation to reconcile the amount of collections/sales to the deposit.</li> <li>• Revenue Potentials are not used.</li> </ul> <p><i>El Dorado Middle School</i></p> <ul style="list-style-type: none"> <li>• One disbursement had two signatures missing on the check request form. Request form was missing signatures of club administrator and student.</li> </ul>			
<p><i>Finding 2013-2: Short-Term Independent Study</i></p>	<p>For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code 51747(c)(8)).</p> <p>Through our testing of the school site short-term Independent Study pupils, we noted the following internal control deficiencies:</p>	<p>10000</p>	<p>We recommend that the District revise the Period 2 reports and implement internal control procedures to ensure that independent study contracts are being filled out with all necessary information required by Education Code Section 51747 and completed prior to the beginning of the contract. In addition, independent study coordinators and teachers should evaluate work and assign attendance credit in a collaborative manner to ensure the proper amount of attendance is credited.</p>	<p>Implemented.</p>

# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2014

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Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2013-2: Short-Term Independent Study (continued)</i>	<p data-bbox="346 365 598 389"><i>El Dorado Middle School</i></p> <ul data-bbox="346 397 924 560" style="list-style-type: none"><li>• 1 out of 3 contracts was not completed correctly. There was no indication that the teacher evaluated the completed work to determine the amount of apportionment earned. The effect of these attendance misstatements was an overstatement of five attendance days.</li></ul> <p data-bbox="346 592 577 617"><i>Foothill Middle School</i></p> <ul data-bbox="346 625 924 755" style="list-style-type: none"><li>• Three out of five contracts reviewed indicated an aggregate understatement of four attendance days. In each instance, the amount of credit to be received noted on the contract did not reflect the attendance posted to the system.</li></ul> <p data-bbox="346 787 577 812"><i>Mt. Diablo High School</i></p> <ul data-bbox="346 820 924 1039" style="list-style-type: none"><li>• Five out of five of the independent study contracts tested appear to be out of compliance. These same contracts did not have dates for when the parent, student, and principal signed the contract. In addition these contracts tested did not have work samples included with the contract. The aggregate effect of these attendance misstatements is an overstatement of 49 attendance days.</li></ul> <p data-bbox="346 1071 577 1096"><i>Sequoia Middle School</i></p> <ul data-bbox="346 1104 924 1266" style="list-style-type: none"><li>• One out of five of the contracts tested was missing a date next to the student and parent signature. In addition, there was no work sample attached to the contract. The aggregate effect of these attendance misstatements is an overstatement of six attendance days.</li></ul> <p data-bbox="346 1299 640 1323"><i>Woodside Elementary School</i></p> <ul data-bbox="346 1331 924 1458" style="list-style-type: none"><li>• Two out of five independent study contracts appear to be out of compliance as the principal signed following the start date of the contract. The aggregate effect of these attendance misstatements is an overstatement of ten attendance days.</li></ul>			

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2014*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2013-2: Short-Term Independent Study (continued)</i>	<i>Ygnacio Valley High School</i> <ul style="list-style-type: none"><li>• Two out of four of the contracts were signed by the principal following the start of the contract. The aggregate effect of these misstatements is an overstatement of 26 attendance days.</li><li>• One out of four of the contracts tested did not have dates next to the signatures of the parent, student, and principal. The effect of this attendance misstatement is an overstatement of five attendance days.</li></ul>			



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Board of Education  
Mount Diablo Unified School District  
Concord, California

In planning and performing our audit of the basic financial statements of Mount Diablo Unified School District for the fiscal year ending June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2014, on the financial statements of Mount Diablo Unified School District.

**Observation:** During our review of the purchasing process, we discovered that multiple employees have the ability to add or modify vendors in the system without the review or authorization of a supervisory employee. Since employees have the ability to add or modify employees, it is possible that payments could be made to an unauthorized vendor.

**Recommendation:** We recommend that a supervisory employee review a computer generated report of new vendor additions or vendor modifications monthly. Alternatively, the employees with access to add or modify employees could be limited to the purchasing supervisor.

**Observation:** During our review of disbursements at the District Office, we noted one disbursement which did not have adequate supporting documentation.

**Recommendation:** We recommend that all disbursements be supported by complete documentation. This will help ensure the District is only paying for goods or services that were authorized and properly received.

**Observation:** During our inquiries of the processes and procedures over cash receipting in the Food Services Department, we discovered that employees have the ability to modify the number of meals served and the classification of the meals served (free, reduced, or paid) after the register has been closed for the day. Since employees have the ability to modify the source documentation, there is a possibility that employees could misrepresent the amount of meals served and the amount of revenue collected each day.

**Recommendation:** We recommend that the District immediately disallow employees the ability to make these changes directly in the system. The District should implement a process where any errors discovered are reported to the District Office and manually changed by someone who does not have access to the cash collected. Additionally, all errors should be verified by a site supervisor or administrator.

We will review the status of the current year comments during our next audit engagement.

Murrieta, California  
December 11, 2014