

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2022

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Mount Diablo Unified School District
Concord, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Mount Diablo Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mount Diablo Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mount Diablo Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mount Diablo Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mount Diablo Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 17 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 55 to 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Diablo Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Mount Diablo Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mount Diablo Unified School District's 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 Mount Diablo Unified School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
December 14, 2022

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

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, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$101.4 million, or 36.1% from the previous year.
- Governmental expenses were about \$398.61 million. Revenues were about \$500 million.
- The District acquired \$15.78 million of new capital assets during the year. These expenditures were incurred primarily from Measure C building projects.
- The District decreased its outstanding long-term debt by \$177.6 million. This was primarily due refunding of General Obligation bonds, payments on Certificates of Participation (COP), and decreased net pension liability by about 199.2 million. There was also a decrease in Other Post-Employment Benefits (OPEB) liability of \$22.3 million due to changes in service cost, interest cost and changes in demographic data and eligible employees.
- Grades K-12 average daily attendance (ADA) decreased by 1,598.49 or 5.71%.

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:

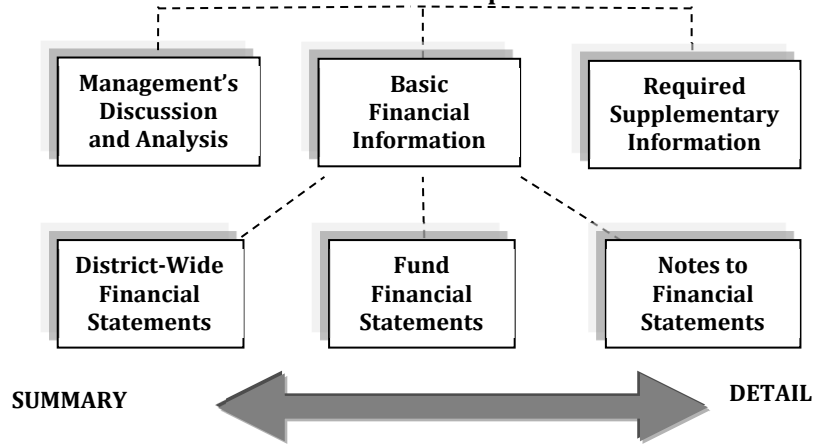
- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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



MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

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

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<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, 2022

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, 2022

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 Foundation Private Purpose Trust and the Debt Service Fund for Special Assessment Debt. 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 higher on June 30, 2022, than it was the year before – increasing 36.1% to \$(179.5) million (See Table A-1).

	<u>2022</u>	<u>2021</u>	<u>(Decrease</u>
Assets			
Current assets	\$ 364,762,719	\$ 274,069,823	\$ 90,692,896
Capital Assets	<u>551,606,297</u>	<u>558,767,997</u>	<u>(7,161,700)</u>
Total Assets	<u>916,369,016</u>	<u>832,837,820</u>	<u>83,531,196</u>
Deferred outflows of resources	<u>82,240,689</u>	<u>106,846,930</u>	<u>(24,606,241)</u>
Liabilities			
Current liabilities	89,532,687	118,103,506	(28,570,819)
Long-term liabilities	499,596,221	587,087,392	(87,491,171)
Net pension liability	171,830,000	371,034,000	(199,204,000)
Net OPEB Liability	<u>198,463,063</u>	<u>220,808,335</u>	<u>(22,345,272)</u>
Total Liabilities	<u>959,421,971</u>	<u>1,076,224,898</u>	<u>(337,611,262)</u>
Deferred inflows of resources	<u>218,717,209</u>	<u>48,965,290</u>	<u>169,751,919</u>
Net position			
Net investment in capital assets	177,634,098	159,701,685	17,932,413
Restricted	130,061,569	94,049,700	36,011,869
Unrestricted	<u>(487,225,142)</u>	<u>(534,698,440)</u>	<u>47,473,298</u>
Total net position	<u>\$ (179,529,475)</u>	<u>\$ (280,947,055)</u>	<u>\$ 101,417,580</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 7.34% to \$500.03 million (See Table A-2). The increase is due primarily to increases in grants and contributions, state aid and categorical funding.

The total cost of all programs and services decreased 10.44% to \$398.62 million. The District's expenses are predominantly related to educating and caring for students, 78.5%. The purely administrative activities of the District accounted for just 5.0% of total costs. A significant contributor to the increase in costs was negotiated salary and benefit increases.

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2022	2021	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 4,405,719	\$ 3,048,220	\$ 1,357,499
Operating grants and contributions	134,709,726	125,136,313	9,573,413
Capital grants and contribution	19,101	16,799	2,302
General Revenues:			-
Property taxes	224,605,988	215,875,904	8,730,084
Federal and state aid not restricted	131,381,494	119,836,551	11,544,943
Other general revenues	4,910,524	1,923,303	2,987,221
Total Revenues	500,032,552	465,837,090	34,195,462
Expenses			
Instruction-related	266,028,700	298,906,735	(32,878,035)
Pupil services	46,928,960	46,514,054	414,906
Administration	19,884,634	20,731,478	(846,844)
Plant services	55,998,626	54,160,917	1,837,709
All other activities	9,774,052	24,752,890	(14,978,838)
Total Expenses	398,614,972	445,066,074	(46,451,102)
Increase (decrease) in net position	\$ 101,417,580	\$ 20,771,016	\$ 80,646,564

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

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 \$325.05 million, which is above last year's ending fund balance of \$202.94 million. The primary cause of the increased fund balance is due primarily to increase grants and contributions from in federal, state and local governmental entities.

Table A-3: The District's Fund Balances

Fund	Fund Balances				June 30, 2022
	June 30, 2021	Revenues	Expenditures	Other Sources and (Uses)	
General Fund	\$ 89,320,697	\$ 429,331,865	\$ 389,247,190	\$ 449,571	\$ 129,854,943
Student Activity Fund	889,104	731,184	774,495		845,793
Adult Education Fund	2,337,465	6,308,460	5,874,595	(181,282)	2,590,048
Cafeteria Fund	5,194,400	16,545,279	11,813,053	(268,289)	9,658,337
Building Fund	42,712,771	275,737	11,141,705	75,617,900	107,464,703
Capital Facilities Fund	14,707,278	2,432,961	535,764		16,604,475
County School Facilities Fund	3,455,295	19,100	49,127		3,425,268
Capital Outlay Fund for					
Blended Component Units	2,718,306	2,381,472	536,568		4,563,210
Bond Interest and					-
Redemption Fund	41,605,391	46,813,777	46,781,542	8,406,710	50,044,336
	<u>\$202,940,707</u>	<u>\$ 504,839,835</u>	<u>\$ 466,754,039</u>	<u>\$ 84,024,610</u>	<u>\$ 325,051,113</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

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 \$86.79 million primarily due to federal, state and local budget actions.
- Non-personnel expenditures – increased \$77.69 million due to increase budget reserves from the federal government.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$10.01 million, the actual results for the year show that revenues exceeded expenditures by roughly \$40.53 million. Actual revenues were \$51.62 less than anticipated, and expenditures were \$98.28 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2022, that will be carried over into the 2022-23 budget.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021-22 the District had invested \$15.78 million in new capital assets, related to ongoing expenditures related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was nearly \$22.94 million.

Table A-4: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities		Variance
	2022	2021	Increase (Decrease)
Land	\$ 14,436,462	\$ 14,436,462	\$ -
Improvement	72,886,495	77,443,620	(4,557,125)
Building	403,005,097	415,173,976	(12,168,879)
Equipment	3,599,673	4,620,118	(1,020,445)
Construction in progress	57,678,570	47,093,821	10,584,749
Total	<u>\$ 551,606,297</u>	<u>\$ 558,767,997</u>	<u>\$ (7,161,700)</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$914.45 million in long-term debt – a decrease of 16.27% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	2022	2021	Increase (Decrease)
General Obligation bonds	\$ 517,451,623	\$ 468,701,347	\$ 48,750,276
Construction loan	3,447,126	3,730,285	(283,159)
Certificates of Participation	14,040,000	16,865,000	(2,825,000)
Other postemployment benefits	198,463,063	220,808,335	(22,345,272)
Supplemental Employee Retirement Plan (SERP)	5,199,960	6,933,280	(1,733,320)
Net Pension Liability	171,830,000	371,034,000	(199,204,000)
Compensated absences	4,019,258	4,007,631	11,627
Total	\$ 914,451,030	\$ 1,092,079,878	\$ (177,628,848)

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Governor signed the 2022-23 Budget Act and other budget-related bills on June 27, 2022.

Proposition 98

Overview

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. In this section, we provide an overview of Proposition 98 changes under the enacted budget package.

Proposition 98 Establishes Minimum Spending Level

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The Guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The Local Control Funding Formula is the primary mechanism for distributing these funds to support all students attending K-12 public schools in California.

The Budget Act of 2022 estimates Proposition (Prop) 98 levels to be \$96.1 billion, \$110.2 billion, and \$110.4 billion in 2020–21, 2021–22, and 2022–23, respectively. The funding levels represent a total increase of \$35.8 billion over the level funded in the Budget Act of 2021. This is the state's highest level of Prop 98 funding for K-14 education.

The TK–12 portion of Prop 98 funding represents TK–12 per-pupil funding of \$16,993. The per-pupil funding level is a \$3,018 increase over the 2021–22 Budget Act level and a \$1,733 increase over the per-pupil funding level the Governor projected in January 2022.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

The budget also includes significant deposits into the Public School System Stabilization Account, also known as the Prop 98 Rainy Day Fund. Specifically, \$3.1 billion is deposited in 2020–21, \$4 billion is deposited in 2021–22, and \$2.2 billion is deposited in 2022–23, for a total balance of \$9.5 billion at the end of 2022–23. This amount triggers a cap of 10 percent on school district reserves, which starts in 2022–23.

The budget package also rebenchs the Prop 98 guarantee during Test 1 years, years when Prop 98 funding levels are based on a percentage of total State General Fund revenues. The Test 1 percentage is increased from 38.03 percent to 38.3 percent to reflect increased enrollment due to the transitional kindergarten expansion that began in the 2021–22 Budget Act.

Finally, the budget changes how local educational agencies (LEAs) treat a portion of their appropriations limit, commonly referred to as the Gann limit, which is based on LEA revenues and changes in average daily attendance (ADA) and inflation. Beginning in 2021–22, any LEA required to deposit funds into a routine restricted maintenance account shall exclude those deposits from their appropriations limit. This change, coupled with a change from the 2021–22 Budget Act that allows the state to benefit when LEAs have additional limit, prevents the state from breaching its Gann limit.

LOCAL CONTROL FUNDING FORMULA & DEFERRALS

The budget package reflects a 6.56 percent LCFF COLA adjustment for 2022–23, as well as a \$4.32 billion (6.7 percent) increase in LCFF base funding for school districts and charters and a \$101.2 million increase for county offices of education (COEs).

The 2022–23 Budget Act includes multiple changes intended to increase school funding stability by addressing declining enrollment and increased absences in the 2021–22 school year due to COVID-19. School districts may now use an average of the three prior years of average daily attendance (ADA), in addition to the existing ability to use the greater of current or prior year ADA, when calculating LCFF funding. Similarly, the Budget Act provides one-time relief to all classroom-based LEAs to mitigate year-over-year declines in attendance experienced in 2021–22 by using pre-COVID-19 attendance rates applied to their enrollment. School districts and COEs must certify that they provided independent study pursuant to statute during 2021–22 to use pre-COVID-19 absence rate adjusted enrollment in place of ADA for the 2021–22 school year. The budget allocates \$2.8 billion in ongoing and \$413 million in one-time funding for these proposals.

SIGNIFICANT BLOCK GRANT FUNDING

The 2022–23 budget package includes two large block grants. The Learning Recovery Emergency Block Grant is \$7.9 billion in one-time funding to support LEAs creating learning recovery initiatives through the 2027–28 school year. Funds may be used for increased instructional time, closing learning gaps, pupil supports to address barriers to learning, additional instruction, and academic services.

The Arts, Music, and Instructional Materials Discretionary Block Grant is \$3.6 billion in one-time funding through the 2025–26 school year. Funds may be used for professional development, acquiring instructional materials, improving school climate (including training on de-escalation and restorative justice strategies), developing diverse book collections with culturally relevant texts, operational costs, and COVID-19 costs.

COMMUNITY SCHOOLS

The 2022–23 budget package expands the California Community Schools Partnership Program with an additional \$1.1 billion in one-time funding. The funding is on top of the approximately \$3 billion allocated in the 2020–21 and 2021–22 Budget Acts.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

EDUCATOR PREPARATION, RETENTION, AND PROFESSIONAL DEVELOPMENT

The 2022–23 budget package provides funding for numerous programs to prepare, recruit, retain, and train teachers, administrators, and classified staff in K–12 education. Specifically, the Budget Act:

- Expands the Golden State Teacher Grant Program to enable school counselors, social workers, and psychologist candidates to participate. The program supports individuals who commit to serve at a priority school in California for four years, within eight years of completing a preparation program.
- Provides \$184 million one-time to expand residency slots for teachers and school counselors.
- Allocates \$85 million one-time to create Pre-K–12 educator resources and professional learning to implement the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations. The goal is to align these initiatives with other work to create a cohesive statewide continuum of instruction support for STEM educators.
- Supports the educator workforce by providing \$24 million one-time to waive certain teacher examination fees and \$20 million one-time to support a grant program for the development and implementation of integrated teacher preparation programs.

UNIVERSAL TRANSITIONAL KINDERGARTEN AND STATE PRESCHOOL

The 2022–23 budget package continues to phase in Universal TK, as outlined in the 2021–22 Budget Act. First, as outlined above, the budget rebenches the Prop 98 minimum guarantee to account for the additional enrollment. Then, the next phase of expanded enrollment eligibility is supported by an additional \$614 million. Further supporting the expansion of TK are \$383 million in additional funds to add one additional certificated or classified staff to every TK class to reduce student-to-adult ratios, as well as allowing the Commission on Teacher Credentialing to issue a one-year emergency specialist teaching permanent in early childhood education in order to increase the pipeline of TK teachers.

Regarding the California State Preschool Program and other early education programs, the budget:

- Invests \$485 million to support providers meeting new requirements for students with disabilities, dual language learners, and childhood mental health, including that providers serve additional students with disabilities.
- Provides \$300 million for Preschool Planning and Implementation Grants.
- Allocates \$250 million to the Inclusive Early Education Expansion Program to fund infrastructure investments.
- Waives \$21 million in family fees in 2022–23 and another \$1.1 million in 2021–22.
- Provides a hold harmless for preschool providers.
- Doubles continuous eligibility from one year to two and increases the income threshold for eligibility.
- Establishes a workgroup to provide recommendations on best practices for increasing access to high-quality universal preschool programs offered through a mixed-delivery model.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

EXPANDED LEARNING OPPORTUNITIES

The Expanded Learning Opportunities program was created in the 2021–22 budget package, with the intent to expand funding over several years. The 2022–23 budget package accelerates program implementation by providing an additional \$3 billion on top of the original \$1 billion, for a total of \$4 billion in ongoing funds. The accelerated funding triggers the requirements, starting in 2023–24, that LEAs offer the program to all low-income students, English language learners, and youth in foster care, and that LEAs with the highest concentrations of these students will be required to offer the program to all elementary students. The budget package also clarifies that funds may be used to hire literacy tutors.

Additionally, maintains 2021–22 Budget Act investments in the After School Education and Safety and 21st Century Community Learning Centers programs by allocating \$148.7 million to continue increased provider rates.

TRANSPORTATION

The 2022–23 budget package makes several significant investments and changes in transportation. For Home-to-School transportation, the budget provides \$637 million ongoing to reimburse LEAs for up to 60% of their transportation costs, and adds a COLA to the current LCFF Home-to-School transportation add-on, commencing in 2023–24. The budget package also includes \$1.5 billion in one-time funds over five years to support converting existing fossil fuel buses to electric.

SCHOOL MEALS

Building on the 2021–22 budget package's launch of the Universal School Meals Program, the 2022–23 Budget Act provides an additional \$596 million in funding over the level provided in 2021–22. Furthermore, the budget includes \$611.8 million in ongoing funds to increase state meal reimbursement rates to maintain the rates currently offered under an expiring federal waiver. This additional funding does have a caveat that if additional federal funding is available, the funding may be used for food procurement grants.

The budget also provides \$600 million in one-time Prop 98 funds, over three years, for kitchen upgrades, and training for food service employees to promote nutritious foods and healthy food preparation. There is also includes \$100 million one-time to support LEA procurement for plant-based, restricted diet, California-grown/produced, and whole or minimally processed foods.

SPECIAL EDUCATION

The 2022–23 budget package includes several key investments in special education, including:

- Provides \$500 million in ongoing funds for the special education funding formula, which is amended to be calculated at the LEA level rather than the special education local plan area (SELPA) level.
- Requires an Individuals with Disabilities Education Act addendum to the Local Control and Accountability Plan (LCAP).
- Creates a pathway to a diploma for students who take the California Alternate Assessment.
- Establishes a special education resource lead to support families of pupils with disabilities.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Other K-12 Prop 98 Adjustments

EARLY LITERACY

The budget package makes several investments in the area of literacy. It provides \$250 million in one-time funds, available over five years, for grants to high-needs schools to train and hire literacy coaches and reading specialists. It also provides \$10 million to the Department of Public Health to partner with First 5 California on the Books for Children Program. Finally, it allocates \$15 million in one-time funds, available over three years, to support 6,000 teachers complete the necessary coursework to receive a supplementary state certification in reading and literacy.

COLLEGE AND CAREER PATHWAYS

As part of a multi-pronged strategy to train workers to meet critical job needs, the 2022-23 budget package allocates \$500 million in one-time funds, available over seven years, for a pathways program focused on technology, healthcare, education, and climate-related fields. Additionally, it allocates \$200 million one-time over five years to expand student access and participation in dual enrollment opportunities.

ANTI-BIAS EDUCATION

The budget package provides \$10 million in one-time Prop 98 funds for the Anti-Bias Education Grant Program. A minimum of 50 grants will be awarded to LEAs of not less than \$75,000. Grants shall be used for training and curriculum to prevent and address bias or prejudice toward any group of people based on race, ethnicity, religion, gender, gender identity, sexual orientation, disability, immigration status, language, or any actual or perceived characteristic listed in Penal Code section 422.55. Emphasis shall be on preventing anti-Semitism and bias or prejudice toward groups including, but not limited to, African Americans, Asian Pacific Islanders, and Latinos.

FACILITIES

The budget package makes multiple investments related to facilities:

- Allocates the remaining Prop 51 bond funds to support school construction projects, totaling \$1.4 billion. The budget allocates a further \$1.3 billion in 2022-23 and commits to allocating \$2.1 billion and \$875 million in 2023-24 and 2024-25, respectively.
- Appropriates an additional \$100 million and commits to further allocating \$550 million to the California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program.
- Provides \$2.5 million for the study and preliminary plan phases to replace all outdoor sports fields and add a stand-alone practice soccer field at the Riverside School for the Deaf. The overall project would be \$43.1 million.
- Allows school districts to procure alternative design-build contracts, where a single entity provides both the design and construction of a project, for projects in excess of five million dollars.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

OTHER

- Classified School Employee Summer Assistance Program—Allocates \$35 million one-time and \$90 million in ongoing funds to provide supplemental pay for classified staff during the summer months.
- Community Engagement Initiative—The budget package provides \$100 million in one-time Prop 98 funds for the Community Engagement Initiative, which builds the capacity of LEAs to more effectively engage with their communities.
- Model Curricula—Provides an additional \$14 million to the CDE to support the development of model curricula for Native American, Vietnamese American, Cambodian, and Hmong history and cultural studies. The funds are on top of the \$1.2 million provided last 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.

BASIC FINANCIAL STATEMENTS

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 331,143,174
Receivables	33,011,983
Stores inventory	585,141
Prepaid expenses	22,422
Non-depreciable capital assets (Note 4)	72,115,032
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>479,491,264</u>
Total assets	<u>916,369,016</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	61,217,266
Deferred outflows of resources - OPEB (Note 7)	12,284,696
Deferred loss from refunding of debt	<u>8,738,727</u>
Total deferred outflows of resources	<u>82,240,689</u>
LIABILITIES	
Accounts payable	38,777,485
Unearned revenue	6,193,456
Long-term liabilities (Note 5):	
Due within one year	44,561,746
Due after one year	<u>869,889,284</u>
Total liabilities	<u>959,421,971</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	183,412,000
Deferred inflows of resources - OPEB (Note 7)	<u>35,305,209</u>
Total deferred inflows of resources	<u>218,717,209</u>
NET POSITION	
Net investment in capital assets	177,634,098
Restricted:	
Legally restricted programs	55,424,280
Capital projects	24,592,953
Debt service	50,044,336
Unrestricted	<u>(487,225,142)</u>
Total net position	<u>\$ (179,529,475)</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 223,924,019	\$ 1,522,731	\$ 72,224,681	\$ 19,101	\$ (150,157,506)
Instruction-related services:					
Supervision of instruction	14,307,495	128,479	8,767,162	-	(5,411,854)
Instructional library, media and technology	3,043,380	26,823	602,107	-	(2,414,450)
School site administration	24,753,806	16,987	5,323,032	-	(19,413,787)
Pupil services:					
Home-to-school transportation	9,112,105	525	206,240	-	(8,905,340)
Food services	11,520,060	-	16,383,115	-	4,863,055
All other pupil services	26,296,795	1,870,140	11,465,843	-	(12,960,812)
General administration:					
Data processing	5,582,889	-	7,624,475	-	2,041,586
All other general administration	14,301,745	72,650	3,759,888	-	(10,469,207)
Plant services	55,998,626	22,627	1,458,954	-	(54,517,045)
Ancillary services	2,550,903	655,330	2,540,925	-	645,352
Interest on long-term liabilities	6,213,063	-	-	-	(6,213,063)
Other outgo	1,010,086	89,427	4,353,304	-	3,432,645
	<u>\$ 398,614,972</u>	<u>\$ 4,405,719</u>	<u>\$ 134,709,726</u>	<u>\$ 19,101</u>	<u>(259,480,426)</u>
Total governmental activities					
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					169,012,394
Taxes levied for debt service					53,215,196
Taxes levied for other specific purposes					2,378,398
Federal and state aid not restricted to specific purposes					131,381,494
Interest and investment earnings					818,636
Miscellaneous					4,091,888
Total general revenues					<u>360,898,006</u>
Change in net position					101,417,580
Net position, July 1, 2021					<u>(280,947,055)</u>
Net position, June 30, 2022					<u>\$ (179,529,475)</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 133,500,755	\$ 106,212,272	\$ 50,043,786	\$ 32,001,785	\$ 321,758,598
Cash in banks	9,112	-	-	924,343	933,455
Cash in revolving cash account	301,250	-	-	-	301,250
Cash with fiscal agent	142,637	4,307,451	-	-	4,450,088
Investments	1,606,574	-	-	2,093,209	3,699,783
Accounts receivable	30,147,541	-	550	2,863,892	33,011,983
Stores inventory	322,103	-	-	263,038	585,141
Prepaid expenditures	22,422	-	-	-	22,422
	<u>166,052,394</u>	<u>110,519,723</u>	<u>50,044,336</u>	<u>38,146,267</u>	<u>364,762,720</u>
Total assets	<u>\$ 166,052,394</u>	<u>\$ 110,519,723</u>	<u>\$ 50,044,336</u>	<u>\$ 38,146,267</u>	<u>\$ 364,762,720</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 30,007,495	\$ 3,055,020	\$ -	\$ 455,636	\$ 33,518,151
Unearned revenue	6,189,956	-	-	3,500	6,193,456
	<u>36,197,451</u>	<u>3,055,020</u>	<u>-</u>	<u>459,136</u>	<u>39,711,607</u>
Total liabilities	<u>36,197,451</u>	<u>3,055,020</u>	<u>-</u>	<u>459,136</u>	<u>39,711,607</u>
Fund balances:					
Nonspendable	645,775	-	-	263,038	908,813
Restricted	42,330,102	107,464,703	50,044,336	37,424,093	237,263,234
Committed	61,431,933	-	-	-	61,431,933
Assigned	13,891,211	-	-	-	13,891,211
Unassigned	11,555,922	-	-	-	11,555,922
	<u>129,854,943</u>	<u>107,464,703</u>	<u>50,044,336</u>	<u>37,687,131</u>	<u>325,051,113</u>
Total fund balances	<u>129,854,943</u>	<u>107,464,703</u>	<u>50,044,336</u>	<u>37,687,131</u>	<u>325,051,113</u>
Total liabilities and fund balances	<u>\$ 166,052,394</u>	<u>\$ 110,519,723</u>	<u>\$ 50,044,336</u>	<u>\$ 38,146,267</u>	<u>\$ 364,762,720</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances - Governmental Funds \$ 325,051,113

Amounts reported for governmental activities 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 \$963,939,495 and the accumulated depreciation is \$412,333,199 (Note 4). 551,606,296

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at June 30, 2022 consisted of (Note 5):

General Obligation Bonds	\$ (427,541,661)	
Accreted interest	(44,763,121)	
Unamortized premiums	(45,146,841)	
Construction loan	(3,447,126)	
Certificates of Participation	(14,040,000)	
Total OPEB liability (Note 7)	(198,463,063)	
Supplemental Employee Retirement Program	(5,199,960)	
Net pension liability (Notes 8 and 9)	(171,830,000)	
Compensated absences	<u>(4,019,258)</u>	
		(914,451,030)

Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. (5,259,334)

In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refunding resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources. 8,738,727

In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to pensions and OPEB are reported (Notes 7, 8, and 9).

Deferred outflows of resources relating to OPEB	12,284,696	
Deferred inflows of resources relating to OPEB	(35,305,209)	
Deferred outflows of resources relating to pensions	61,217,266	
Deferred inflows of resources relating to pensions	<u>(183,412,000)</u>	
		<u>(145,215,247)</u>

Total net position - governmental activities \$ (179,529,475)

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 140,986,817	\$ -	\$ -	\$ -	\$ 140,986,817
Local sources	153,201,809	-	-	-	153,201,809
Total LCFF	<u>294,188,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,188,626</u>
Federal sources	35,389,544	-	-	16,568,218	51,957,762
Other state sources	82,324,107	-	263,296	5,070,223	87,657,626
Other local sources	17,429,588	275,737	46,550,481	6,780,015	71,035,821
Total revenues	<u>429,331,865</u>	<u>275,737</u>	<u>46,813,777</u>	<u>28,418,456</u>	<u>504,839,835</u>
Expenditures:					
Current:					
Certificated salaries	155,784,196	-	-	2,346,231	158,130,427
Classified salaries	51,966,641	180,111	-	5,467,869	57,614,621
Employee benefits	104,018,742	86,390	-	3,916,387	108,021,519
Books and supplies	20,676,153	76	-	5,759,658	26,435,887
Services and other operating expenditures	48,278,549	744,030	-	1,121,076	50,143,655
Other outgo	1,010,086	-	-	-	1,010,086
Capital outlay	3,913,398	9,832,893	-	689,222	14,435,513
Debt service:					
Principal retirement	2,825,000	-	27,867,954	283,159	30,976,113
Interest	774,425	298,206	18,913,588	-	19,986,219
Total expenditures	<u>389,247,190</u>	<u>11,141,706</u>	<u>46,781,542</u>	<u>19,583,602</u>	<u>466,754,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,084,675</u>	<u>(10,865,969)</u>	<u>32,235</u>	<u>8,834,854</u>	<u>38,085,795</u>
Other financing sources (uses):					
Transfers in	449,571	-	-	-	449,571
Transfers out	-	-	-	(449,571)	(449,571)
Proceeds from sale of bonds	-	250,415,000	-	-	250,415,000
Premiums from the issuance of bonds	-	28,034,038	8,406,710	-	36,440,748
Deposit to refunding escrow	-	(202,831,137)	-	-	(202,831,137)
Total other financing sources (uses)	<u>449,571</u>	<u>75,617,901</u>	<u>8,406,710</u>	<u>(449,571)</u>	<u>84,024,611</u>
Net change in fund balances	40,534,246	64,751,932	8,438,945	8,385,283	122,110,406
Fund balances, July 1, 2021	<u>89,320,697</u>	<u>42,712,771</u>	<u>41,605,391</u>	<u>29,301,848</u>	<u>202,940,707</u>
Fund balances, June 30, 2022	<u>\$ 129,854,943</u>	<u>\$ 107,464,703</u>	<u>\$ 50,044,336</u>	<u>\$ 37,687,131</u>	<u>\$ 325,051,113</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net change in fund balances - Total Governmental Funds	\$ 122,110,406
Amounts reported for governmental activities in the Statement of Activities are different because:	
Acquisition of capital assets is an expenditure in governmental funds, but increases capital assets in the Statement of Net Position (Note 4).	15,775,816
Depreciation of capital assets is an expense that is not recorded in governmental funds (Note 4).	(22,937,517)
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide financial statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were as follows (Note 5):	(250,415,000)
Repayment of principal on long-term liabilities is an expenditure in governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	229,246,113
In governmental funds, the liability in connection with initiating supplemental executive retirement plans (SERP) are not recognized, but are reported as an increase to long-term liabilities in the governmental activities (Note 5).	1,733,320
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issues at a premium is amortized as interest over the life of the debt (Note 5).	(22,137,831)
Accreted interest is an expense that is not recorded in governmental funds (Note 5).	(2,335,399)
Unmatured interest on long-term liabilities is not recorded in governmental funds until it becomes due, but increases the liabilities in the Statement of Net Position.	3,198,187
In governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred outflows of resources are amortized over the shorter life of the refunded or refunding debt.	3,648,900
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	35,902,039
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between accrual-basis OPEB costs and actual employer contributions was:	(12,359,827)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(11,627)
Change in net position of governmental activities	<u>\$ 101,417,580</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 TRUST AND CUSTODIAL FUNDS
 June 30, 2022

	<u>Trust Fund</u>	<u>Custodial Fund</u>
	Private- Purpose <u>Trust Fund</u>	Debt Service Fund for Special Assessment <u>Debt</u>
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 59,609	\$ 6,716,714
Cash with Fiscal Agent	-	95,939
Total assets	\$ 59,609	\$ 6,812,653
 NET POSITION		
Restricted	\$ 59,609	\$ 6,812,653

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST AND CUSTODIAL FUNDS
For the Year Ended June 30, 2022

	<u>Trust Fund</u>	<u>Custodial Fund</u>
	Private- Purpose <u>Trust Fund</u>	Debt Service Fund for Special Assessment <u>Debt</u>
Additions:		
Other local sources - interest	\$ 330	\$ 30,329
Other local sources - supplemental taxes	<u>-</u>	<u>6,544,549</u>
Total additions	<u>330</u>	<u>6,574,878</u>
Deductions:		
Debt service:		
Principal retirement	-	1,220,000
Interest	<u>-</u>	<u>255,588</u>
Total deductions	<u>-</u>	<u>1,475,588</u>
Income before transfers	330	5,099,290
Transfers to District	<u>-</u>	<u>(4,995,620)</u>
Change in net position	330	103,670
Net position, July 1, 2021	<u>59,279</u>	<u>6,708,983</u>
Net position, June 30, 2022	<u>\$ 59,609</u>	<u>\$ 6,812,653</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mount Diablo Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal governmental sources and must comply with all the requirements of these funding source entities.

Reporting Entity - Mount Diablo Unified School District Education Facilities Financing Corporation: The District and the Mount Diablo Unified School District Education Facilities Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Codification Section (Cod. Sec.) 2100.101, as amended by GASB Cod. Sec. 2100.138, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation are included in these financial statements using the blended presentation method, as if they were part of the District's operations. The Corporation is considered a blended component unit as the governing board of the Corporation is essentially the same as the governing board of the District, and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Corporation's financial activity is presented in the governmental fund financial statements as the Capital Projects for Blended Component Units Fund, and in the fiduciary financial statement as the Debt Service Fund for Special Assessment Debt. Special Tax Bonds issued by the Corporation are not included in the long-term liabilities of the Statement of Net Position as they are not obligations of the District. Individually prepared financial statements are not prepared for the Corporation.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Government Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

General Fund: The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Building Fund: The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment, and primarily includes proceeds from the sale of bonds.

Bond Interest and Redemption Fund: The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Student Activity, Adult Education, and Cafeteria Funds.

Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities of the District. This classification includes the Capital Facilities, County School Facilities, and Capital Projects for Blended Component Units Fund.

The Foundation Private-Purpose Trust Fund is a Trust Fund that used to account separately for gifts or bequests that at 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.

The Debt Service Fund for Special Assessment Debt is a Custodial Fund that is used to account for the accumulation of resources for, and the repayment of Special Tax Bonds issued through the Corporation.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2022.

Stores Inventory: Inventory recorded in the General and Cafeteria Funds are valued at average cost and consists mainly of consumable supplies. Inventories are recorded as expenditures at the time items are transferred from the warehouse to the schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$25,000 or more for land, site improvements and buildings and \$10,000 or more for equipment, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on debt refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The District has also recognized deferred outflows of resources related to the recognition of the net pension and total OPEB liabilities, which are reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized deferred inflows of resources related to the recognition of the net pension and total OPEB liabilities, which are reported in the Statement of Net Position.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 47,455,548	\$ 13,761,718	\$ 61,217,266
Deferred inflows of resources	\$ 144,617,000	\$ 38,795,000	\$ 183,412,000
Net pension liability	\$ 102,193,000	\$ 69,637,000	\$ 171,830,000
Pension expense	\$ 9,910,330	\$ 2,434,538	\$ 12,344,868

Compensated Absences: Compensated absences benefits totaling \$4,019,258 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B member employees, when the employee retires.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restrictions for capital projects and debt service represents the portion of net position restricted for capital projects and the retirement of debt, respectively. The restrictions for the private-purpose trust fund and custodial fund represent net position which is to be used for future private-purpose and debt service on special assessment debt, respectively. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance: The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

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

C - Committed Fund Balance: The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance.

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances, however, as of June 30, 2022, no such designation has occurred.

E - Unassigned Fund Balance: In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2022, the District has established a minimum fund balance policy requiring no less than 2% of General Fund expenditures and other financing uses. At June 30, 2022, the District has not established a stabilization arrangement.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Contra Costa bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

New Accounting Pronouncements: In June 2017, the GASB issued GASB Statement No. 87, *Leases*. GASB 87 requires the recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lease is required to be recognized as a lease liability and an intangible right to use lease asset and the lessor is required to recognize the lease receivable and deferred inflow of resources. This statement was originally effective for the fiscal years beginning after December 15, 2019, but due to the adoption of GASB 95, the implementation date was extended to reporting periods beginning after June 15, 2021. District management performed an analysis and determined that the implementation of GASB 87 did not have a material impact on the district's financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2022 consisted of the following:

	Governmental <u>Activities</u>	Fiduciary <u>Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 321,758,598	\$ 6,776,323
Local Agency Investment Fund	3,699,783	-
Deposits:		
Cash on hand and in banks	933,455	-
Cash in revolving fund	301,250	-
Investments:		
Cash with fiscal agent	4,450,088	95,939
Total	\$ 331,143,174	\$ 6,872,262

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 interest bearing Contra Costa County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized basis.

Local Agency Investment Fund: Mount Diablo Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The amortized cost of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the amortized cost as provided by LAIF, as a percentage of the entire LAIF portfolio. The funds maintained in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds may be withdrawn at any time up to the total amount on deposit with LAIF. Most withdrawals are accessible and transferable to the District's master account on the same day as the request, except for amounts greater than \$10,000,000, which require at least twenty-four hours' advance notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2022, this fund was yielding approximately 0.33% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2022, the carrying amount of the District's accounts totaled \$1,234,705 and the bank balances were \$1,177,835. The total uninsured bank balances at June 30, 2022 were \$918,724.

Cash with Fiscal Agent: Cash with Fiscal Agent represents amounts held by a third party custodian in the District's name. The balances are comprised entirely of cash equivalents and are carried at amortized cost.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2022, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2022, the District had no concentration of credit risk.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: The District did not have any Individual fund interfund receivable and payable balances at June 30, 2022.

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

Transfers for the year ended June 30, 2022 were as follows:

Transfer from the Adult Education Fund to the General Fund for indirect cost support.	\$ 181,282
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>268,289</u>
	<u>\$ 449,571</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2022 is shown below:

	Balance July 1, <u>2021</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2022</u>
Non-depreciable:				
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Construction in progress	47,093,821	14,871,034	(4,286,285)	57,678,570
Depreciable:				
Land improvements	123,413,793	1,698,489	-	125,112,282
Buildings	735,245,961	2,587,795	-	737,833,756
Equipment	<u>27,973,642</u>	<u>904,783</u>	-	<u>28,878,425</u>
Totals, at cost	<u>948,163,679</u>	<u>20,062,101</u>	<u>(4,286,285)</u>	<u>963,939,495</u>
Less accumulated depreciation:				
Land improvements	(45,970,173)	(6,255,614)	-	(52,225,787)
Buildings	(320,071,985)	(14,756,675)	-	(334,828,660)
Equipment	<u>(23,353,524)</u>	<u>(1,925,228)</u>	-	<u>(25,278,752)</u>
Total accumulated depreciation	<u>(389,395,682)</u>	<u>(22,937,517)</u>	-	<u>(412,333,199)</u>
Capital assets, net	<u>\$ 558,767,997</u>	<u>\$ (2,875,416)</u>	<u>\$ (4,286,285)</u>	<u>\$ 551,606,296</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,204
School site administration	8,964
Instructional library, media and technology	87,938
All other pupil services	550,436
Plant services	<u>22,278,975</u>
Total depreciation expense	<u>\$ 22,937,517</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds

<u>Bond</u>	<u>Issue Year</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of</u>				
				<u>Original Issuance</u>	<u>Outstanding July 1, 2021</u>	<u>Issued Current Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2022</u>
<u>Measure C</u>								
Series A	2011	3.5 - 5.0%	2035	\$ 50,456,475	\$ 50,326,615	\$ -	\$ 1,245,954	\$ 49,080,661
Series B	2011	3.0 - 5.0%	2027	59,540,000	32,205,000	-	2,945,000	29,260,000
Series C	2011	2.0 - 4.0%	2025	3,865,000	3,860,000	-	-	3,860,000
Series D	2011	3.0 - 5.0%	2028	7,133,582	5,090,000	-	5,090,000	-
Series E	2012	3.0 - 5.0%	2037	149,995,000	132,585,000	-	130,170,000	2,415,000
Series F	2016	4.15 - 5.3%	2025	38,500,000	9,575,000	-	3,315,000	6,260,000
Series G	2017	1.0 - 5.0%	2031	38,500,000	35,575,000	-	1,825,000	33,750,000
<u>Refunding Bonds</u>								
2002 Series B	2011	3.0 - 5.0%	2023	43,700,000	15,865,000	-	15,865,000	-
2002 Series B2	2012	3.0 - 5.0%	2029	40,540,000	39,955,000	-	39,955,000	-
2002 Series C	2013	3.0 - 5.0%	2031	54,015,000	46,050,000	-	1,340,000	44,710,000
2011 Refunding	2011	3.0 - 5.5%	2026	37,790,000	17,640,000	-	17,640,000	-
2021 Refunding	2021	1.25 - 4.0%	2032	28,270,000	-	28,270,000	-	28,270,000
2022 Refunding	2022	4.00%	2038	147,145,000	-	147,145,000	-	147,145,000
<u>Measure J</u>								
Series A	2019	2.20%	2024	20,000,000	14,538,000	-	6,747,000	7,791,000
Series B	2022	4.0-5.0%	2043	75,000,000	-	75,000,000	-	75,000,000
				<u>\$794,450,057</u>	<u>\$403,264,615</u>	<u>\$250,415,000</u>	<u>\$226,137,954</u>	<u>\$427,541,661</u>

Accreted Interest

<u>Series</u>	<u>Beginning</u>	<u>Accretion</u>	<u>Deductions</u>	<u>Total</u>
Measure C - Series A	<u>\$ 42,427,722</u>	<u>\$ 5,494,445</u>	<u>\$ 3,159,046</u>	<u>\$ 44,763,121</u>

As of June 30, 2022 the outstanding General Obligation Bonds are scheduled to mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 33,332,402	\$ 16,348,417	\$ 49,680,819
2024	28,845,691	19,268,636	48,114,327
2025	30,246,577	18,326,622	48,573,199
2026	26,558,275	17,424,526	43,982,801
2027	27,126,589	16,643,602	43,770,191
2028-2032	153,966,123	86,213,954	240,180,077
2033-2037	87,781,004	30,831,571	118,612,575
2038-2042	33,305,000	4,645,433	37,950,433
2043	<u>6,380,000</u>	<u>159,500</u>	<u>6,539,500</u>
	<u>\$ 427,541,661</u>	<u>\$ 209,862,261</u>	<u>\$ 637,403,922</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 5 - LONG -TERM LIABILITIES (Continued)

Construction Loan: In February 2003, the Redevelopment Agency of the City of Pittsburg (City) made an interest-free loan totaling \$6,178,936 to the District. The purpose of the loan was to finance 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 incurred after January 1, 2005. The District will continue to make payments equal to 24% of impact fees collected in the City every six months on June 1st and January 1st of each year through June 1, 2040, or until the loan is paid off, whichever occurs first. The balance due on the Construction Loan as of June 30, 2022 is \$3,447,126.

Certificates of Participation: In October 2018, the District issued 2018 Certificates of Participation (2018 COPS) to finance the improvement of certain educational facilities of the District. The 2018 COPS bear interest at 5.0% per annum, and mature through September 1, 2026. The following is a schedule of future lease payments: Debt service obligations for the 2018 COPS are made from surplus proceeds received from special tax assessments

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,690,000	\$ 634,750	\$ 3,324,750
2024	2,335,000	509,125	2,844,125
2025	2,360,000	391,750	2,751,750
2026	3,360,000	248,750	3,608,750
2027	<u>3,295,000</u>	<u>82,375</u>	<u>3,377,375</u>
	<u>\$ 14,040,000</u>	<u>\$ 1,866,750</u>	<u>\$ 15,906,750</u>

Supplemental Employee Retirement Plan: Effective July 2020, the District established a Supplemental Employee Retirement Plan (SERP) for certain qualifying District employees. Under the terms of the SERP, the District will make annual contributions of \$1,733,320 to the plan for the future benefits to be paid to qualifying employees. Payments are made equally over a period of five fiscal years, for a total obligation of \$8,666,600. At June 30, 2022, the outstanding balance of future District contributions was \$5,199,960.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG -TERM LIABILITIES (Continued)

A schedule of changes in long-term liabilities for the year ended June 30, 2022 is shown below:

	Balance July 1, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2022</u>	Amounts Due Within <u>One Year</u>
<u>Debt:</u>					
General Obligation Bonds	\$ 403,264,615	\$ 250,415,000	\$ 226,137,954	\$ 427,541,661	\$ 33,332,402
Accreted interest	42,427,722	5,494,445	3,159,046	44,763,121	3,353,598
Unamortized premiums	23,009,010	36,440,748	14,302,917	45,146,841	3,452,426
Construction loan	3,730,285	-	283,159	3,447,126	-
Certificates of participation	16,865,000	-	2,825,000	14,040,000	2,690,000
<u>Other Long-Term Liabilities:</u>					
Total OPEB liability (Note 7)	220,808,335	-	22,345,272	198,463,063	-
Supplemental Employee Retirement Plan (SERP)	6,933,280	-	1,733,320	5,199,960	1,733,320
Net pension liability (Note 8 and 9)	371,034,000	-	199,204,000	171,830,000	-
Compensated absences	<u>4,007,631</u>	<u>11,627</u>	<u>-</u>	<u>4,019,258</u>	<u>-</u>
	<u>\$ 1,092,079,878</u>	<u>\$ 292,361,820</u>	<u>\$ 469,990,668</u>	<u>\$ 914,451,030</u>	<u>\$ 44,561,746</u>

Payments on 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 COPS are reported as a pass-through in the General Fund, from excess special tax assessments received by the Debt Service Fund for Special Assessment Debt. Payments toward the net pension liability, total OPEB liability, and compensated absences are made from the fund for which the related employee worked.

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 Marks-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. The outstanding principal balance of special assessment debt totaling \$4,445,000 at June 30, 2022, does not represent debt of the District and, as such, does not appear in these financial statements.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2022 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 301,250	\$ -	\$ -	\$ -	\$ 301,250
Prepaid expenses	22,422	-	-	-	22,422
Stores inventory	322,103	-	-	263,038	585,141
	<u>645,775</u>	<u>-</u>	<u>-</u>	<u>263,038</u>	<u>908,813</u>
Subtotal nonspendable					
Restricted:					
Legally restricted:					
Grants	42,330,102	-	-	-	42,330,102
Student activities	-	-	-	845,793	845,793
Adult ed programs	-	-	-	2,590,048	2,590,048
Cafeteria operations	-	-	-	9,395,299	9,395,299
Capital projects	-	107,464,703	-	24,592,953	132,057,656
Debt service	-	-	50,044,336	-	50,044,336
	<u>42,330,102</u>	<u>107,464,703</u>	<u>50,044,336</u>	<u>37,424,093</u>	<u>237,263,234</u>
Subtotal restricted					
Committed:					
Textbook adoption	20,961,342	-	-	-	20,961,342
403(b) supplementary retirement plan contribution	5,199,960	-	-	-	5,199,960
2022-23 & 2023-24 Collective Bargaining Agreement	17,405,000	-	-	-	17,405,000
Deferred maintenance	15,000,000	-	-	-	15,000,000
MDEA/MDSPA Hiring & Retention	2,865,631	-	-	-	2,865,631
	<u>61,431,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,431,933</u>
Subtotal committed					
Assigned:					
LCFF Supplemental	7,454,577	-	-	-	7,454,577
Vacation payout	570,000	-	-	-	570,000
Salary agreement	5,866,634	-	-	-	5,866,634
	<u>13,891,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,891,211</u>
Subtotal Assigned					
Unassigned:					
Designated for economic uncertainty	11,555,922	-	-	-	11,555,922
	<u>11,555,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,555,922</u>
Total fund balances					
	<u>\$ 129,854,943</u>	<u>\$ 107,464,703</u>	<u>\$ 50,044,336</u>	<u>\$ 37,687,131</u>	<u>\$ 325,051,113</u>

(Continued)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefits Plan

Plan Description: The District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment healthcare plan (the "Plan"). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical coverage. The benefits from the Plan are available to Mount Diablo Educators Association (MDEA) employees, classified employees (Including Local 1 CST, Teamsters 856 and CSEA Employees), management & confidential employees, psychologists, and supervisors. The District's Board of Education has the authority to establish or amend the benefit terms offered by the Plan. The Board of Education also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2022, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability, and the plan does not issue separate financial statements.

Benefits Provided: In accordance with contracts between the District and the respective employee groups, eligible employees are entitled to receive certain medical benefits through the Plan. Benefits provided vary depending on employee group, age at retirement, and number of years of service to the District:

MDEA Employees - The District pays for the cost of retiree plus one eligible dependent (depending on age of dependent at retirement) and all dependents for dental coverage for a period of 10 years or to the retiree's attainment of age 65, if earlier. The District's pre-65 contribution is capped at the current Kaiser HMO rate for retirees in the service area and the actual premium rate for retirees outside the service area. Upon reaching age 65, the District pays the CalPERS minimum required contribution only. An eligible retiree can elect additional dependent coverage but will be required to pay any additional costs above the District contribution. Dental benefits are only provided to eligible employees retiring prior to age 65. Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution through the retiree age 65. For continuation after the retiree's age 65, the District's contribution is equal to the CalPERS minimum required contribution. All dental coverage ceases when the retiree attains or would have attained age 65.

Classified Employees (including Local 1 CST, Teamsters 856 and CSEA members) - The District pays for the cost of retiree only coverage for a period of 10 years or to the retiree's attainment of age 65, if earlier. If retiring on or after July 1, 2007 but prior to July 1, 2015, the District's pre-65 contribution is capped at the 2010 Kaiser HMO rate. If retiring on or after July 1, 2015 but prior to July 1, 2016, the District's pre-65 contribution is capped at 80% of the 2015 Kaiser HMO rate. If retiring on or after July 1, 2016, the District's pre-65 contribution is subject to a maximum of the Kaiser rate. Upon reaching age 65, the District pays the CalPERS minimum required contribution only. An eligible retiree can elect additional dependent coverage but will be required to pay any additional costs above the District contribution. Upon the death of the retiree, a surviving spouse can continue medical coverage through CalPERS Health Program and receive a District contribution equal to the CalPERS minimum required contribution.

Management and Confidential Employees - The District pays for the cost of retiree plus one eligible dependent (depending on age of dependent at retirement) and all dependents for dental coverage for a period of 10 years or to the retiree's attainment of age 65, if earlier. The District's pre-65 contribution is capped at the current Kaiser HMO rate for retirees in the service area and the actual premium rate for retirees outside the service area. Upon reaching age 65, the District pays the CalPERS minimum required contribution only. An eligible retiree can elect additional dependent coverage but will be required to pay any additional costs above the District contribution. Dental benefits are only provided to eligible employees retiring prior to age 64.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution through the retiree age 65. For continuation after the retiree's age 65, the District's contribution is equal to the CalPERS minimum required contribution. All dental coverage ceases when the retiree attains or would have attained age 65.

Psychologists - The District pays for the cost of retiree only coverage for a period of 10 years or to the retiree's attainment of age 65, if earlier. If retiring on or after July 1, 2007 but prior to July 1, 2015, the District's pre-65 contribution is capped at the 2010 Kaiser HMO rate. If retiring on or after July 1, 2015 but prior to July 1, 2016, the District's pre-65 contribution is capped at 80% of the 2015 Kaiser HMO rate. If retiring on or after July 1, 2016, the District's pre-65 contribution is subject to a maximum of the Kaiser rate. Upon reaching age 65, the District pays the CalPERS minimum required contribution only. An eligible retiree can elect additional dependent coverage but will be required to pay any additional costs above the District contribution. Upon the death of the retiree, a surviving spouse can continue medical coverage through CalPERS Health Program and receive a District contribution equal to the CalPERS minimum required contribution.

Supervisors - The District pays for the cost of retiree only coverage for a period of 10 years or to the retiree's attainment of age 65, if earlier. If retiring on or after July 1, 2007 but prior to July 1, 2015, the District's pre-65 contribution is capped at the 2010 Kaiser HMO rate. If retiring on or after July 1, 2015 but prior to July 1, 2016, the District's pre-65 contribution is capped at 80% of the 2015 Kaiser HMO rate. If retiring on or after July 1, 2016, the District's pre-65 contribution is subject to a maximum of the Kaiser rate. Upon reaching age 65, the District pays the CalPERS minimum required contribution only. An eligible retiree can elect additional dependent coverage but will be required to pay any additional costs above the District contribution. Upon the death of the retiree, a surviving spouse can continue medical coverage through CalPERS Health Program and receive a District contribution equal to the CalPERS minimum required contribution.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2022:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	1,447
Active employees	<u>3,191</u>
	<u><u>4,638</u></u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the District's Governing Board. Amounts paid by the District as benefits came due were \$6,011,879 for the year ended June 30, 2022. Employees are not required to contribute to the OPEB plan.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability - The District's total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the June 30, 2022 actuarial report was determined using the following actuarial assumptions, which were applied to all periods included in the measurement, unless otherwise specified:

<u>Actuarial Method</u>	Entry Age actuarial cost, level percentage of payroll.
<u>Discount Rate</u>	3.54%.
<u>Health Care Increases</u>	4.00% per annum
<u>Mortality Rates</u>	Mortality rates are based on 2017 CalPERS Mortality tables for applicable classified employees, and 2020 CalSTRS Mortality tables for applicable certificated employees.
<u>Retirement Rates</u>	Retirement rates are based on the applicable 2017 CalPERS rates for classified employees, and applicable 2020 CalSTRS rates for certificated employees.
<u>Health Plan Coverage Elections</u>	100% of eligible employees are assumed to elect coverage upon retirement. 70% of future retirees and surviving spouses are assumed to elect to continue coverage when the District's contribution provided is the CalPERS minimum required contribution. 80% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses.
<u>Termination Rates</u>	Termination rates are taken from the most recent experience studies for CalPERS (2017) for applicable classified employees and CalSTRS (2020) for applicable certificated employees.
<u>Inflation Rate</u>	2.50% per year
<u>Salary Increases</u>	2.75% per year

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using the Bond Buyer 20 Bond Index of 3.54%.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ <u>220,808,335</u>
Changes for the year:	
Service cost	15,119,446
Interest	4,867,822
Differences between actual and expected experience	-
Changes in assumptions	(36,320,661)
Benefit payments	<u>(6,011,879)</u>
Net change	<u>(22,345,272)</u>
Balance at June 30, 2022	<u>\$ 198,463,063</u>

The changes in assumptions in the June 30, 2022 actuarial measurement from the June 30, 2021 actuarial measurement include a change in the discount rate from 2.16% to 3.54%, an update to inflation rate from 2.75% to 2.50%, and an update to the salary increase rate from 3.00% to 2.75%.

Sensitivity of the Total OPEB Liability to Changes in The Discount Rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease <u>(2.54%)</u>	Current Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB liability	\$ <u>224,461,930</u>	\$ <u>198,463,063</u>	\$ <u>179,939,391</u>

Sensitivity of the Total OPEB Liability To Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u>(3.0%)</u>	Healthcare Cost Trend Rates <u>(4.0%)</u>	1% Increase <u>(5.0%)</u>
Total OPEB liability	\$ <u>168,594,176</u>	\$ <u>198,463,063</u>	\$ <u>234,174,080</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB -
 For the year ended June 30, 2022, the District recognized OPEB expense of \$18,371,706. At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to the OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,377,882	\$ 64,310
Changes of assumptions	<u>9,906,814</u>	<u>35,240,899</u>
Total	<u>\$ 12,284,696</u>	<u>\$ 35,305,209</u>

The amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

Year Ending <u>June 30.</u>	
2023	\$ (1,615,562)
2024	\$ (1,288,668)
2025	\$ (3,274,263)
2026	\$ (3,274,263)
2027	\$ (3,274,263)
Thereafter	\$ (10,293,494)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN

General Information about the State Teachers’ Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers’ Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers’ Retirement System (CalSTRS). The Teachers’ Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60 - CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor, up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation"), were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan and the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-2022. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-2022.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1percent since the last timethe member contribution rate was set. Based on the June 30, 2020, valuation adopted by the board in June 2021, the increase in normal cost was less than 1percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2021.

Employers – 16.920 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.18 percent, to be paid on behalf of employers pursuant to the Special Legislation.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorizes the board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In June 2021, the CalSTRS board voted to keep the employer supplemental contribution rate the same for fiscal year 2021–22; it remained at 10.85% effective July 1, 2021.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

The CalSTRS employer contribution rates effective for fiscal year 2021-22 through fiscal year 2046-47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment Per Special Legislation</u>	<u>Total</u>
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$25,445,548 to the plan for the fiscal year ended June 30, 2022.

State – 10.828 percent of the members’ calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state’s share of the CalSTRS unfunded actuarial obligation by 2046. In June 2021, the board approved an increase of 0.5% for fiscal year 2021–22, which will increase the state supplemental contribution rate to 6.311% effective July 1, 2021.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

Special legislation appropriated supplemental state contributions to reduce the state’s portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, Rainy-Day Budget Stabilization Fund Act, which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2020–21, CalSTRS received \$297.0 million in supplemental state contributions from Proposition 2 funds. Of this total, approximately \$170.0 million is designated to cover forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21. The remaining \$127.0 million is designated to reduce the state’s share of CalSTRS’ unfunded actuarial obligation.

The CalSTRS state contribution rates effective for fiscal year 2021-22 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to				
June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.
- (2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	\$ 102,193,000
State’s proportionate share of the net pension liability associated with the District	<u>60,803,000</u>
Total	<u>\$ 162,996,000</u>

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2021, the District’s proportion was 0.225 percent, which was a decrease of 0.039 percent from its proportion measured as of June 30, 2020.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$9,910,330 and revenue of \$17,080,641 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 256,000	\$ 10,875,000
Changes of assumptions	14,480,000	-
Net differences between projected and actual earnings on investments	-	80,838,000
Changes in proportion and differences between district contributions and proportionate share of contributions	7,274,000	52,904,000
Contributions made subsequent to measurement date	<u>25,445,548</u>	<u>-</u>
Total	<u>\$ 47,455,548</u>	<u>\$ 144,617,000</u>

\$25,445,548 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (24,283,850)
2024	\$ (20,132,850)
2025	\$ (29,636,350)
2026	\$ (33,417,016)
2027	\$ (9,078,267)
2028	\$ (6,058,667)

Differences between expected and actual experience, changes in assumptions, and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Mortality: CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	<u>\$ 208,029,000</u>	<u>\$ 102,193,000</u>	<u>\$ 14,352,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

[https://www.calpers.ca.gov/docs/forms-publications/acfr-2021 .pdf](https://www.calpers.ca.gov/docs/forms-publications/acfr-2021.pdf)

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2022 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2021-22.

Employers - The employer contribution rate was 22.91 percent of applicable member earnings.

The District contributed \$11,682,718 to the plan for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability of \$69,637,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2021 the District’s proportion was 0.342 percent, which was a decrease of 0.033 percent from its proportion measured as of June 30, 2020.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$2,434,538. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,079,000	\$ 164,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	26,725,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	11,906,000
Contributions made subsequent to measurement date	<u>11,682,718</u>	<u>-</u>
Total	<u>\$ 13,761,718</u>	<u>\$ 38,795,000</u>

\$11,682,718 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2022	\$ (10,511,250)
2023	\$ (10,013,250)
2024	\$ (8,758,750)
2025	\$ (7,432,750)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years (1-10)⁽¹⁾</u>	<u>Expected Real Rate of Return Years (11+)⁽²⁾</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

1) An expected inflation rate of 2.00% used for this period.

2) An expected inflation rate of 2.92% used for this period.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The long-term expected rate of return on pension plan investments was determined using a building- block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
 The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 117,419,000</u>	<u>\$ 69,637,000</u>	<u>\$ 29,969,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 - JOINT POWERS AGREEMENTS

The District is a member of Contra Costa County Schools Insurance Group (CCCSIG), CSAC Excess Insurance Authority (CSAC-EIA), the Schools’ Self-Insurance of Contra Costa County (SSICCC), and the School Project for Utility Rate Reduction (SPURR) through joint powers agreements (JPAs). The entities provide the District with property and liability insurance coverage, as well as health and welfare benefits. Each entity is 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years and there were no significant reductions in insurance coverage from the prior year.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - JOINT POWERS AGREEMENTS (Continued)

The following is a summary of financial information of CSAC-EIA, SSICCC, and SPURR as of June 30, 2021 (the most recent audited information available):

	<u>CSAC-EIA</u>	<u>SPURR</u>	<u>SSICCC</u>
Total assets	\$ 1,006,132,845	\$ 16,877,341	\$ 13,558,431
Total deferred outflows	\$ 2,167,314	\$ -	\$ -
Total liabilities	\$ 820,969,455	\$ 10,143,820	\$ 769,093
Total deferred inflows	\$ 976,070	\$ -	\$ -
Net position	\$ 186,354,634	\$ 6,733,521	\$ 12,789,338
Total revenues	\$ 1,291,008,268	\$ 44,881,409	\$ 13,928,569
Total expenditures	\$ 1,278,916,616	\$ 44,736,925	\$ 14,007,069
Change in net position	\$ 12,091,652	\$ 144,484	\$ (78,500)

The relationship between the District and the Joint Powers Authorities is such that they are not component units of the District for financial reporting purposes.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

As of June 30, 2022, the District had approximately \$31.8 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 145,971,834	\$ 136,839,737	\$ 140,986,817	\$ 4,147,080
Local sources	<u>145,124,108</u>	<u>153,201,809</u>	<u>153,201,809</u>	<u>-</u>
Total LCFF	<u>291,095,942</u>	<u>290,041,546</u>	<u>294,188,626</u>	<u>4,147,080</u>
Federal sources	28,776,956	86,499,639	35,389,544	(51,110,095)
Other state sources	60,842,731	87,078,893	82,324,107	(4,754,786)
Other local sources	<u>9,833,329</u>	<u>13,727,311</u>	<u>17,429,588</u>	<u>3,702,277</u>
Total revenues	<u>390,548,958</u>	<u>477,347,389</u>	<u>429,331,865</u>	<u>(48,015,524)</u>
Expenditures:				
Current:				
Certificated salaries	155,005,639	157,565,598	155,784,196	1,781,402
Classified salaries	53,300,465	55,975,663	51,966,641	4,009,022
Employee benefits	113,715,830	104,957,656	104,018,742	938,914
Books and supplies	21,570,744	98,904,291	20,676,153	78,228,138
Contract services and operating expenditures	45,340,789	56,468,704	48,278,549	8,190,155
Other outgo	1,018,350	552,060	1,010,086	(458,026)
Capital outlay	10,605,803	9,057,933	3,913,398	5,144,535
Debt service:				
Principal Retirement	-	-	2,825,000	(2,825,000)
Interest	<u>-</u>	<u>-</u>	<u>774,425</u>	<u>(774,425)</u>
Total expenditures	<u>400,557,620</u>	<u>483,481,905</u>	<u>389,247,190</u>	<u>94,234,715</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(10,008,662)</u>	<u>(6,134,516)</u>	<u>40,084,675</u>	<u>46,219,191</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>449,571</u>	<u>449,571</u>
Change in fund balance	(10,008,662)	(6,134,516)	40,534,246	46,668,762
Fund balance, July 1, 2021	<u>89,320,697</u>	<u>89,320,697</u>	<u>89,320,697</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 79,312,035</u>	<u>\$ 83,186,181</u>	<u>\$ 129,854,943</u>	<u>\$ 46,668,762</u>

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2022

	Last 10 Fiscal Years					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability						
Service cost	\$ 11,331,075	\$ 11,716,332	\$ 11,840,329	\$ 12,768,210	\$ 13,151,256	\$ 15,119,446
Interest	5,234,924	5,608,884	6,094,019	6,241,950	5,748,803	4,867,822
Change in assumptions	-	(1,961,364)	4,779,925	12,470,261	(3,670,217)	(36,320,661)
Difference in experience	-	-	7,133,647	-	(83,800)	-
Benefit payments	<u>(5,807,238)</u>	<u>(6,097,600)</u>	<u>(6,582,820)</u>	<u>(6,884,164)</u>	<u>(7,764,967)</u>	<u>(6,011,879)</u>
Net change in total OPEB Liability	10,758,761	9,266,252	23,265,100	24,596,257	7,381,075	(22,345,272)
Total OPEB liability, beginning of year	<u>145,540,890</u>	<u>156,299,651</u>	<u>165,565,903</u>	<u>188,831,003</u>	<u>213,427,260</u>	<u>220,808,335</u>
Total OPEB liability, end of year	<u>\$ 156,299,651</u>	<u>\$ 165,565,903</u>	<u>\$ 188,831,003</u>	<u>\$ 213,427,260</u>	<u>\$ 220,808,335</u>	<u>\$ 198,463,063</u>
Covered employee payroll	\$ 202,725,000	\$ 202,725,000	\$ 209,529,871	\$ 215,815,767	\$ 226,390,740	\$ 230,918,555
Total OPEB liability as a percentage of covered- employee payroll	77.1%	81.7%	90.1%	98.9%	97.5%	85.9%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. All years prior to 2017 are not available.

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2022

	State Teachers' Retirement Plan Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension	0.276%	0.291%	0.272%	0.295%	0.302%	0.289%	0.264%	0.225%
District's proportionate share of the net pension liability	\$ 161,286,120	\$ 195,912,840	\$ 219,996,320	\$ 272,885,000	\$ 277,385,000	\$ 261,393,000	\$ 256,117,000	\$ 102,193,000
State's proportionate share of the net pension liability associated with the District	<u>97,392,501</u>	<u>103,616,018</u>	<u>125,258,419</u>	<u>161,437,000</u>	<u>158,817,000</u>	<u>142,608,000</u>	<u>139,966,000</u>	<u>60,803,000</u>
Total net pension liability	<u>\$ 258,678,621</u>	<u>\$ 299,528,858</u>	<u>\$ 345,254,739</u>	<u>\$ 434,322,000</u>	<u>\$ 436,202,000</u>	<u>\$ 404,001,000</u>	<u>\$ 396,083,000</u>	<u>\$ 162,996,000</u>
District's covered payroll	\$ 123,886,776	\$ 131,676,520	\$ 137,080,196	\$ 156,387,000	\$ 160,658,000	\$ 155,566,000	\$ 142,701,000	\$ 121,852,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	130.19%	148.78%	160.49%	174.49%	172.66%	168.03%	179.48%	83.87%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
 For the Year Ended June 30, 2022

	Public Employer's Retirement Fund B Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension	0.389%	0.405%	0.396%	0.414%	0.427%	0.404%	0.375%	0.342%
District's proportionate share of the net pension liability	\$ 45,171,338	\$ 59,623,699	\$ 78,289,245	\$ 98,730,000	\$ 113,742,000	\$ 117,786,000	\$ 114,917,000	\$ 69,637,000
District's covered payroll	\$ 41,430,353	\$ 45,257,132	\$ 47,558,749	\$ 52,731,000	\$ 56,267,000	\$ 56,027,000	\$ 53,949,000	\$ 48,771,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	109.03%	131.74%	164.62%	187.23%	202.15%	210.23%	213.01%	142.78%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2022

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 11,692,875	\$ 14,708,705	\$ 19,673,538	\$ 23,182,949	\$ 25,474,844	\$ 25,262,435	\$ 23,273,689	\$ 25,445,548
Contributions in relation to the contractually required contribution	<u>(11,692,875)</u>	<u>(14,708,705)</u>	<u>(19,673,538)</u>	<u>(23,182,949)</u>	<u>(25,474,844)</u>	<u>(25,262,435)</u>	<u>(23,273,689)</u>	<u>(25,445,548)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 131,676,520	\$ 137,080,196	\$ 156,387,000	\$ 160,658,000	\$ 155,566,000	\$ 142,701,000	\$ 121,852,000	\$ 133,223,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**	16.92%***

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

*** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2022

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 5,327,217	\$ 5,634,285	\$ 7,324,363	\$ 8,738,265	\$ 10,119,534	\$ 10,667,677	\$ 10,095,538	\$ 11,682,718
Contributions in relation to the contractually required contribution	<u>(5,327,217)</u>	<u>(5,634,285)</u>	<u>(7,324,363)</u>	<u>(8,738,265)</u>	<u>(10,119,534)</u>	<u>(10,667,677)</u>	<u>(10,095,538)</u>	<u>(11,682,718)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,257,132	\$ 47,558,749	\$ 52,731,000	\$ 56,267,000	\$ 56,027,000	\$ 53,949,000	\$ 48,771,000	\$ 50,994,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability: The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of District Contributions: The Schedule of District Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rates for the total OPEB liability were 3.40, 3.50, 3.15, 2.66, 2.16 and 3.54 percent for the June 30, 2017, 2018, 2019, 2020, 2021, 2022 measurement dates, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

Assumption	Measurement Period						
	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2022

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects for Blended Component Units Fund	Total
ASSETS							
Cash and investments:							
Cash in County Treasury	\$ -	\$ 1,834,332	\$ 6,748,722	\$ 15,282,282	\$ 3,425,247	\$ 4,711,202	\$ 32,001,785
Cash in banks	845,793	-	78,550	-	-	-	924,343
Investments	-	4,644	768,813	1,319,731	21	-	2,093,209
Receivables	-	793,418	2,068,003	2,471	-	-	2,863,892
Stores inventory	-	-	263,038	-	-	-	263,038
	<u>-</u>	<u>-</u>	<u>263,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,038</u>
Total assets	<u>\$ 845,793</u>	<u>\$ 2,632,394</u>	<u>\$ 9,927,126</u>	<u>\$ 16,604,484</u>	<u>\$ 3,425,268</u>	<u>\$ 4,711,202</u>	<u>\$ 38,146,267</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 38,846	\$ 268,789	\$ 9	\$ -	\$ 147,992	\$ 455,636
Unearned revenue	-	3,500	-	-	-	-	3,500
	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Total liabilities	<u>-</u>	<u>42,346</u>	<u>268,789</u>	<u>9</u>	<u>-</u>	<u>147,992</u>	<u>459,136</u>
Fund balances:							
Nonspendable	-	-	263,038	-	-	-	263,038
Restricted	845,793	2,590,048	9,395,299	16,604,475	3,425,268	4,563,210	37,424,093
	<u>845,793</u>	<u>2,590,048</u>	<u>9,395,299</u>	<u>16,604,475</u>	<u>3,425,268</u>	<u>4,563,210</u>	<u>37,424,093</u>
Total fund balance	<u>845,793</u>	<u>2,590,048</u>	<u>9,658,337</u>	<u>16,604,475</u>	<u>3,425,268</u>	<u>4,563,210</u>	<u>37,687,131</u>
Total liabilities and fund balances	<u>\$ 845,793</u>	<u>\$ 2,632,394</u>	<u>\$ 9,927,126</u>	<u>\$ 16,604,484</u>	<u>\$ 3,425,268</u>	<u>\$ 4,711,202</u>	<u>\$ 38,146,267</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 June 30, 2022

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects for Blended Component Units Fund	Total
Revenues:							
Federal sources	\$ -	\$ 921,288	\$ 15,646,930	\$ -	\$ -	\$ -	\$ 16,568,218
Other state sources	-	4,184,685	885,538	-	-	-	5,070,223
Other local sources	731,184	1,202,487	12,811	2,432,961	19,100	2,381,472	6,780,015
Total revenues	<u>731,184</u>	<u>6,308,460</u>	<u>16,545,279</u>	<u>2,432,961</u>	<u>19,100</u>	<u>2,381,472</u>	<u>28,418,456</u>
Expenditures:							
Current:							
Certificated salaries	-	2,346,231	-	-	-	-	2,346,231
Classified salaries	-	1,028,477	4,395,443	-	29,634	14,315	5,467,869
Employee benefits	-	1,484,144	2,404,110	-	19,493	8,640	3,916,387
Books and supplies	532,050	469,068	4,729,364	-	-	29,176	5,759,658
Services and other operating expenditures	242,445	546,675	216,990	104,330	-	10,636	1,121,076
Capital outlay	-	-	67,146	148,275	-	473,801	689,222
Debt Service:							
Principal retirement	-	-	-	283,159	-	-	283,159
Total expenditures	<u>774,495</u>	<u>5,874,595</u>	<u>11,813,053</u>	<u>535,764</u>	<u>49,127</u>	<u>536,568</u>	<u>19,583,602</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(43,311)</u>	<u>433,865</u>	<u>4,732,226</u>	<u>1,897,197</u>	<u>(30,027)</u>	<u>1,844,904</u>	<u>8,834,854</u>
Other financing uses:							
Transfers out	-	(181,282)	(268,289)	-	-	-	(449,571)
Net change in fund balances	(43,311)	252,583	4,463,937	1,897,197	(30,027)	1,844,904	8,385,283
Fund balance, July 1, 2021	<u>889,104</u>	<u>2,337,465</u>	<u>5,194,400</u>	<u>14,707,278</u>	<u>3,455,295</u>	<u>2,718,306</u>	<u>29,301,848</u>
Fund balance, June 30, 2022	<u>\$ 845,793</u>	<u>\$ 2,590,048</u>	<u>\$ 9,658,337</u>	<u>\$ 16,604,475</u>	<u>\$ 3,425,268</u>	<u>\$ 4,563,210</u>	<u>\$ 37,687,131</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2022

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. The District currently operates 29 elementary schools and 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. There were no changes in the District's boundaries in the current year.

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

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Debra Mason	President	December 2022
Keisha Nzewi	Vice President	December 2024
Cherise Khaund	Trustee	December 2022
Linda Mayo Erin	Trustee	December 2022
Erin McFerrin	Trustee	December 2024
Anahi Nava Flores	Student Board Member	December 2023

DISTRICT ADMINISTRATION

Adam Clark, Ed.D.
Superintendent

Jennifer Sachs
Chief, Educational Services

Dr. Wendi Aghily
Chief, Pupil Services and Special Education

Dr. Lisa Gonzales
Chief Business Officer

Dr. John Rubio
Chief, Human Resources

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 June 30, 2022

	Revised Second Period Report*	Audited Revised Second Period Report	Annual Report	Audited Annual Report
Certificate Number:	<u>B9D49B30</u>	**	<u>9024B50F</u>	**
Elementary:				
Transitional Kindergarten through Third	8,676	8,676	8,670	8,670
Fourth through Sixth	6,273	6,273	6,273	6,273
Seventh and Eighth	4,123	4,123	4,132	4,132
Special Education	69	69	71	71
Community Day School	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Subtotal Elementary	<u>19,142</u>	<u>19,142</u>	<u>19,147</u>	<u>19,147</u>
Secondary:				
Ninth through Twelfth	7,288	7,287	7,209	7,208
Special Education	54	54	54	54
Community Day School	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>
Subtotal Secondary	<u>7,346</u>	<u>7,345</u>	<u>7,266</u>	<u>7,265</u>
District Totals	<u><u>26,488</u></u>	<u><u>26,487</u></u>	<u><u>26,413</u></u>	<u><u>26,412</u></u>

*The District revised their Second Period report based on internal review.

**ADA has been adjusted to reflect Finding 2022-003

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2022

<u>Grade Level</u>	<u>Statutory Minutes Requirements</u>	<u>2021-2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	51,840	180	In Compliance
Grade 2	50,400	51,840	180	In Compliance
Grade 3	50,400	51,840	180	In Compliance
Grade 4	54,000	55,800	180	In Compliance
Grade 5	54,000	55,800	180	In Compliance
Grade 6	54,000	57,133	180	In Compliance
Grade 7	54,000	57,133	180	In Compliance
Grade 8	54,000	57,133	180	In Compliance
Grade 9	64,800	67,696	180	In Compliance
Grade 10	64,800	67,696	180	In Compliance
Grade 11	64,800	67,696	180	In Compliance
Grade 12	64,800	67,696	180	In Compliance

See accompanying notes to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Assistance Listing (AL) <u>Number</u>	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Agriculture - Passed through California</u>			
<u>Department of Education</u>			
	Child Nutrition Cluster:		
10.553	Child Nutrition: National School Lunch Program	13523	\$ 14,027,624
10.555	Child Nutrition: SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	15637	<u>467,476</u>
	Subtotal Child Nutrition Cluster		14,495,100
10.558	Child Nutrition: Child and Adult Care Food Program	13393	1,370,684
10.649	Pandemic EBT Local Administrative Grant	15644	5,814
10.561	USDA Farm to School Grant Program	*	<u>26,866</u>
	Total U.S. Department of Agriculture		<u>15,898,464</u>
<u>U.S. Department of Defense - Passed through California</u>			
<u>Department of Education</u>			
12.030	J.R.O.T.C.	*	<u>87,928</u>
<u>U.S. Department of Labor - Passed through California</u>			
<u>Department of Education</u>			
	WIOA Cluster:		
17.259	Workforce Investment Act Youth Activities	10055	279,634
17.258	Workforce Investment Act Adult & Dislocated Worker	*	<u>34,502</u>
	Total U.S. Department of Labor		<u>314,136</u>
<u>U.S. Department Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: Individuals with Disabilities Act (IDEA) Basic Local Assistance Entitlement, Part B, Sec 611	13379	5,923,695
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School Individual Service Plans (ISPs)	10115	140,270
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	200,774
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	15197	344,056
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	1,797
84.173A	Special Ed: IDEA, Alternate Dispute Resolution	13007	<u>89,967</u>
	Subtotal Special Education Cluster		<u>6,700,559</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department Education - Passed through California Department of Education</u> (Continued)			
ESEA: Title III Programs:			
84.365	ESEA: Title III, English Learner Student Program	14346	\$ 805,887
84.365	ESEA: Title III, Immigrant Education Program	15146	<u>126,522</u>
	Subtotal ESEA: Title III Programs		<u>932,409</u>
Adult Education Programs:			
84.002	Adult Education: Adult Secondary Education	13978	131,457
84.002A	Adult Education: Adult Basic Education and ESL	14508	187,506
84.002A	Adult Education: English Literacy and Civics Education - Local Grant	14109	<u>79,862</u>
	Subtotal Adult Education Programs		<u>398,825</u>
Title I, Part A Programs:			
84.010	ESEA: Title I, Part A Basic Grants Low Income and Neglected	14329	6,993,350
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs	15438	<u>891,974</u>
	Subtotal Title I Part A Programs:		<u>7,885,324</u>
Career and Technical Education:			
84.048	Career and Technical Education Secondary Sec 131 (Carl Perkins Act)	14894	229,693
84.048	Career and Technical Education Adult Sec 132 (Carl Perkins Act)	14893	<u>21,285</u>
	Subtotal Career and Technical Education		<u>250,978</u>
Federal Pell Grant Programs			
84.063	Federal Pell Grant Program - SFA Cluster	*	127,612
84.063	Adult Education - FOCUS	*	<u>80,090</u>
	Subtotal Federal Pell Grant Programs		<u>207,702</u>
<u>U.S. Department Education - Direct Funded</u>			
COVID-19: Education Stabilization Fund (ESF) Programs:			
84.425N	COVID-19: Adult Ed Title VIII HEERF P425N	N/A	177,432
84.425E	COVID-19: Higher Education Emergency	N/A	15,000

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department Education - Passed through California Department of Education</u>			
84.425D	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	15536	\$ 404
84.425	COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	6,911,285
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	7,587,666
84.425U	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	53,375
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	15618	1,394,944
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: GEER II	15619	666,414
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	15620	1,465,422
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	15621	<u>29,913</u>
	Subtotal COVID-19: ESF Programs		<u>18,301,855</u>
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	161,463
84.424	ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	15396	304,156
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	<u>591,765</u>
	Total U.S. Department of Education		<u>35,735,036</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.600	Early Head Start - Head Start Cluster	01039	<u>146,867</u>
	Total U.S. Department of Health and Human Services		<u>146,867</u>
	Total Federal Programs		<u>\$ 52,182,431</u>

* A pass-through identifying number was not available.

See accompanying notes to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2022
(UNAUDITED)

	(Budgeted) <u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Fund				
Revenues and other financing sources	\$ <u>420,167,122</u>	\$ <u>429,781,436</u>	\$ <u>396,843,273</u>	\$ <u>367,299,975</u>
Expenditures	427,388,596	389,247,190	355,638,432	367,813,462
Other uses and transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,764</u>
Total outgo	<u>427,388,596</u>	<u>389,247,190</u>	<u>355,638,432</u>	<u>368,674,226</u>
Change in fund balance	\$ <u>(7,221,474)</u>	\$ <u>40,534,246</u>	\$ <u>41,204,841</u>	\$ <u>(1,374,251)</u>
Ending fund balance	\$ <u>122,633,469</u>	\$ <u>129,854,943</u>	\$ <u>89,320,697</u>	\$ <u>48,115,856</u>
Available reserves	\$ <u>12,971,658</u>	\$ <u>11,555,921</u>	\$ <u>10,590,483</u>	\$ <u>10,228,105</u>
Designated for economic uncertainties	\$ <u>12,971,658</u>	\$ <u>11,555,921</u>	\$ <u>10,590,483</u>	\$ <u>10,228,105</u>
Undesignated fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Available reserves as percentages of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>2.8%</u>
Total long-term liabilities	\$ <u>869,889,284</u>	\$ <u>914,451,030</u>	\$ <u>1,092,079,878</u>	\$ <u>1,112,077,578</u>
Average daily attendance at P-2	\$ <u>28,509</u>	\$ <u>26,488</u>	\$ <u>29,121</u>	\$ <u>29,121</u>

The fund balance of the General Fund has increased by \$80,364,836 over the past three years. The fiscal year 2022-2023 budget, as originally adopted, projects a decrease of \$7,221,474. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating deficit during the 2022-2023 fiscal year.

Total long-term liabilities have decreased by \$197,626,548 over the past two years.

Average daily attendance has decreased by 2,633 over the past two years. An increase of 2,021 ADA is anticipated during fiscal year 2022-2023.

See accompanying notes to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
June 30, 2022

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
0305- Eagle Peak Montessori	Separate Report
1805- Rocketship Futuro Academy	Separate Report

See accompanying notes to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance: Average daily attendance 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: 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 46201 through 46206.

Schedule of Expenditure of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Mount Diablo Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis (Unaudited): This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2022-23 fiscal year, as required by the State Controller's Office.

Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2- EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2022, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Mount Diablo Unified School District
Concord, California

Report on Compliance with State Laws and Regulations

Opinion on Compliance with State Laws and Regulations

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the State of California's *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2022.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – course based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes

(Continued)

In Person Instruction Grant	Yes
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes, for charter schools – Classroom based	No, see below
Charter School Facility Grant Program	No, see below

The District did not offer an Early Retirement Incentive Program in the current audit year; therefore, we did not perform any procedures related to Early Retirement Incentive Program.

The District did not offer Juvenile Court Schools in the current audit year; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District did not report any attendance hours for Apprenticeship: Related and Supplemental Instruction; therefore, we did not perform any procedures related to this program.

The District is not reported as a District of Choice; therefore, we did not perform any procedures related to District of Choice.

The District did not report any ADA from Independent Study-Course based Programs in the current audit year; therefore, we did not perform any procedures related to Independent Study-Course based Programs.

The District submitted timely immunization assessment reports to the California Department of Public Health for all sites; therefore, we did not perform any procedures related to immunizations.

The District does not include any charter schools in this report; therefore, we did not perform any of the procedures related to charter schools.

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Mount Diablo Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2022.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the requirements of the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with the requirements referred to above.

As described in Findings 2022-001, 2022-02, and 2022-03, in the accompanying Schedule of Audit Findings and Questioned Costs, Mount Diablo Unified School District did not comply with the requirements regarding Attendance, After/Before School Education and Safety Program, and Independent Study. Compliance with such requirements is necessary, in our opinion, for Mount Diablo Unified School District to comply with the requirements applicable to the state law and regulations referred to above.

Other Matters

Mount Diablo Unified School District's responses to the noncompliance findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Mount Diablo Unified School District's responses were not subjected to the auditing procedures applied in the audit of State Compliance and, accordingly, we express no opinion on them.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's government programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 14, 2022

INDEPENDENT AUDITOR'S 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, 2022, 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 14, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Diablo Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Diablo Unified School District's internal control.

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

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

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Diablo Unified School District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


Crowe LLP

Sacramento, California
December 14, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Mount Diablo Unified School District
Concord, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB 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, 2022. Mount Diablo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mount Diablo Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mount Diablo Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Mount Diablo Unified School District's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mount Diablo Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mount Diablo Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we,

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mount Diablo Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Mount Diablo Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mount Diablo Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 14, 2022

FINDINGS AND RECOMMENDATIONS

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA: Title I, Part A Basic Grants
84.425, 84.425D, 84.425E, 84.425N, 84.425U	COVID-19 Education Stabilization Funds
10.555, 10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,565,473

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Qualified

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-001 – STATE COMPLIANCE – ATTENDANCE (10000)

Criteria: Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support attendance report to the State of California.

Condition: At Valle Verde Elementary School, one student was improperly reported as present, resulting in an overstatement of one day of attendance.

Context: We performed the audit procedures enumerated in the State of California *2021-22 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The effect of this finding is an overstatement of 0.01 ADA.

Cause: The error was the result of a clerical error in accounting for attendance.

Fiscal Impact: The error is below 0.50 ADA, therefore there is no fiscal impact.

Recommendation: The District should enforce controls to ensure accurate accounting for attendance.

Views of Responsible Officials and Planned Corrective Action: The District agrees with the auditor's recommendation and will continue to provide training to staff who are responsible for attendance reporting at the school sites.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

2022-002 – STATE COMPLIANCE – AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM (40000)

Criteria: Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support attendance report to the State of California.

Condition: At Cambridge Elementary School, written records to support attendance for after school programs totaled 116 students which did not agree with reported attendance of 118 students, resulting in an overstatement of two students.

Context: We performed the audit procedures enumerated in the State of California *2021-22 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The effect of this finding is the District is out of compliance with State requirements for After/Before School Education and Safety Program.

Cause: The error was the result of a clerical error in accounting for student attendance.

Fiscal Impact: There is no fiscal impact.

Recommendation: The District should enforce controls to ensure accurate accounting for attendance of students participating in After/Before School Education and Safety Program.

Views of Responsible Officials and Planned Corrective Action: The District agrees with the auditor's recommendation and will continue to provide training to staff who are responsible for attendance reporting at the school sites.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

2022-003 – STATE COMPLIANCE – INDEPENDENT STUDY (40000)

Criteria: Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support attendance report to the State of California.

Condition: For fourteen students claimed for independent study attendance, the District was unable to provide supporting signed independent study agreements or student work samples.

Context: We performed the audit procedures enumerated in the State of California *2021-22 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The effect of this finding is the District is out of compliance with State requirements for Independent Study.

Cause: The error was caused by the District's inability to provide required supporting documentation for independent study students files selected for testing.

Fiscal Impact: The fiscal impact of the finding is 1.43 ADA which is the ADA generated by the questioned students during the time period they were on independent study.

Recommendation: The District should enforce controls to ensure signed independent study agreements and required work samples are maintained for all students claimed for ADA in the independent study program.

Views of Responsible Officials and Planned Corrective Action: The District agrees with the auditor's recommendation and will continue to provide training to staff who are responsible for documenting independent study agreements and maintaining student work at the school sites.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2022

No matters were reported.