

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2019

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2019  
(Continued)

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	16
STATEMENT OF ACTIVITIES.....	17
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	18
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS.....	20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES.....	21
STATEMENT OF FIDUCIARY NET POSITION - TRUST AND AGENCY FUNDS.....	22
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - TRUST FUND .....	23
NOTES TO FINANCIAL STATEMENTS.....	24
REQUIRED SUPPLEMENTARY INFORMATION:	
GENERAL FUND BUDGETARY COMPARISON SCHEDULE.....	52
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY.....	53
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	54
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS.....	56
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	58

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2019

CONTENTS

SUPPLEMENTARY INFORMATION:

COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS.....	59
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	60
ORGANIZATION.....	61
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	62
SCHEDULE OF INSTRUCTIONAL TIME.....	63
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	64
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	67
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED.....	68
SCHEDULE OF CHARTER SCHOOLS.....	69
NOTES TO SUPPLEMENTARY INFORMATION.....	70
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	72
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	75
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	77
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	79
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	83

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Mount Diablo Unified School District  
Concord, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of and for the year ended June 30, 2019, 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.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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(Continued)

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Diablo Unified School District, as of June 30, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 15, the General Fund Budgetary Comparison Schedule, Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 52 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Diablo Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the 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.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic 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 12, 2019 on our consideration of Mount Diablo Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Diablo Unified School District's internal control over financial reporting and compliance.

**Crowe LLP**

Crowe LLP

Sacramento, California  
December 12, 2019

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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This discussion and analysis of Mount Diablo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$(29.5) million, or 12.2%.
- Governmental expenses were about \$486.3 million. Revenues were about \$456.8 million.
- The District acquired \$28.2 million of new capital assets during the year. These expenditures were incurred primarily from Measure C building projects.
- The District increased its outstanding long-term debt by \$66.9 million. This was primarily due issuances of Certificates of Participation (COP) and Measure J in the amounts of \$20 million each, increases in pension liability and Other Post-Employment Benefits (OPEB) liability, which increased by \$19.5 million and \$23.3 million, respectively.  
Increase in pension liability of \$19.5 million was because the net pension liability for STRS and CalPERS increased in total; and the District's proportionate share, calculated based on the employer contributions reported by PERS and STRS went up, which in turn increased the District's liability. Increase in OPEB of \$23.3 million was due increase in service cost, interest cost and changes in demographic data and eligible employees.
- Grades K-12 average daily attendance (ADA) decreased by 409 or 1.37%.

**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.

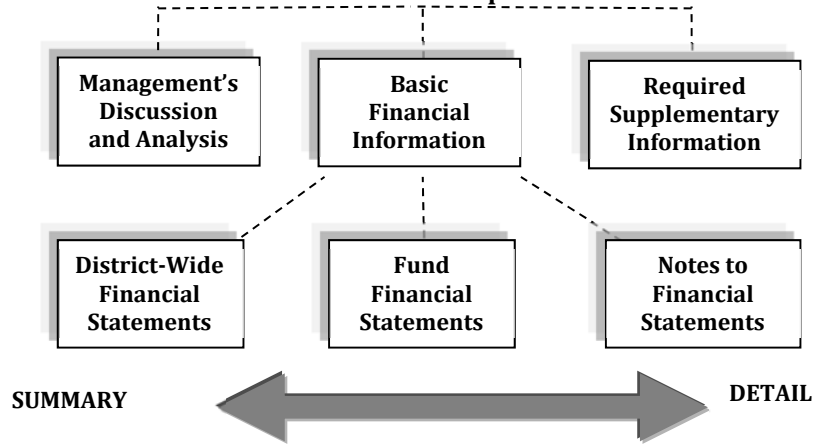
**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**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, 2019*

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

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

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

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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

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

**District-Wide Statements**

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

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

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

**Fund Financial Statements**

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

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

The District has two kinds of funds:

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

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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

**Fund Financial Statements (continued)**

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

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

**Net Position.** The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 12.2% to \$(271.6) million (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current assets	\$ 228,195,311	\$ 190,556,885	\$ 37,638,426
Capital Assets	546,407,879	540,154,648	6,253,231
<b>Total Assets</b>	<b>774,603,190</b>	<b>730,711,533</b>	<b>43,891,657</b>
<b>Deferred outflows of resources</b>	<b>141,026,668</b>	<b>136,241,998</b>	<b>4,784,670</b>
<b>Liabilities</b>			
Current liabilities	26,697,232	30,504,600	(3,807,368)
Long-term liabilities	728,858,345	681,421,339	47,437,006
Net pension liability	391,127,000	371,615,000	19,512,000
<b>Total Liabilities</b>	<b>1,146,682,577</b>	<b>1,083,540,939</b>	<b>63,141,638</b>
<b>Deferred inflows of resources</b>	<b>24,372,576</b>	<b>25,501,470</b>	<b>(1,128,894)</b>
<b>Net position</b>			
Net investment in capital assets	134,792,453	126,855,892	7,936,561
Restricted	75,756,925	64,159,066	11,597,859
Unrestricted	(482,165,224)	(433,103,836)	(49,061,388)
<b>Total net position</b>	<b>\$ (271,615,846)</b>	<b>\$ (242,088,878)</b>	<b>\$ (29,526,968)</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Changes in net position, governmental activities.** The District's total revenues increased 9.9% to \$456.8 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 increased 3.4% to \$486.3 million. The District's expenses are predominantly related to educating and caring for students, 79.1%. The purely administrative activities of the District accounted for just 2.8% 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
	2019	2018	Increase (Decrease)
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 4,361,700	\$ 4,316,072	\$ 45,628
Operating grants and contributions	104,305,049	81,979,515	22,325,534
Capital grants and contribution	4,090,621	26,628	4,063,993
General Revenues:			-
Property taxes	190,011,926	173,128,046	16,883,880
Federal and state aid not restricted	141,997,596	136,516,961	5,480,635
Other general revenues	12,027,220	19,582,130	(7,554,910)
<b>Total Revenues</b>	456,794,112	415,549,352	41,244,760
<b>Expenses</b>			
Instruction-related	329,614,781	313,499,327	16,115,454
Pupil services	55,024,731	51,772,926	3,251,805
Administration	13,788,998	15,667,172	(1,878,174)
Plant services	62,738,488	65,075,389	(2,336,901)
All other activities	25,154,082	24,391,678	762,404
<b>Total Expenses</b>	486,321,080	470,406,492	15,914,588
Increase (decrease) in net position	\$ (29,526,968)	\$ (54,857,140)	\$ 25,330,172

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$191.3 million, which is above last year's ending fund balance of \$166.4 million. The primary cause of the increased fund balance is due primarily to increases in state aid and categorical funding.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				June 30, 2019
	June 30, 2018	Revenues	Expenditures	Other Sources and (Uses)	
General Fund	\$ 57,530,974	\$ 379,334,193	\$ 387,781,867	\$ 406,807	\$ 49,490,107
Adult Education Fund	2,146,289	6,652,804	6,264,410	(201,198)	2,333,485
Cafeteria Fund	4,706,536	12,372,147	12,307,816	(205,540)	4,565,327
Deferred Maintenance Fund	-	-	-	-	-
Building Fund	63,711,799	1,313,991	21,725,374	42,117,934	85,418,350
Capital Facilities Fund	9,838,459	1,746,577	138,625	(226,563)	11,219,848
County School Facilities Fund	1,765,639	4,092,726	2,074,032	-	3,784,333
Capital Outlay Fund for	-	-	-	-	-
Blended Component Units	44,461	70,902	2,134,702	4,893,853	2,874,514
Bond Interest and	-	-	-	-	-
Redemption Fund	26,609,480	43,264,585	38,296,300	-	31,577,765
	<u>\$ 166,353,637</u>	<u>\$ 448,847,925</u>	<u>\$ 470,723,126</u>	<u>\$ 46,785,293</u>	<u>\$ 191,263,729</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**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 \$11.33 million primarily to state and local budget actions.
- Salaries and benefits costs – decreased \$7.94 million due to vacancies, as positions were not filled, salaries and benefits are adjusted accordingly.
- Other non-personnel expenditures – increased \$32.74 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$31.44 million, the actual results for the year show that expenditures exceeded revenues by roughly \$8.04 million. Actual revenues were \$10.49 million more than anticipated, and expenditures were \$12.90 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2018-19 the District had invested \$28.2 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 \$21.9 million.

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

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>
Land	\$ 14,436,462	\$ 14,436,462	\$ -
Improvement	83,351,567	89,211,390	(5,859,823)
Building	429,102,551	421,798,463	7,304,088
Equipment	5,348,578	5,294,595	53,983
Construction in progress	14,168,721	9,413,738	4,754,983
<b>Total</b>	<b>\$ 546,407,879</b>	<b>\$ 540,154,648</b>	<b>\$ 6,253,231</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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

**Long-Term Debt**

At year-end the District had \$1.12 billion in long-term debt – an increase of 6.36% 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
	2019	2018	Increase (Decrease)
General Obligation bonds	\$ 511,464,353	\$ 507,007,913	\$ 4,456,440
Construction loan	3,921,981	4,148,544	(226,563)
Certificates of Participation	20,000,000		20,000,000
Capital leases	620,803	1,065,931	(445,128)
Compensated absences	4,020,205	3,633,048	387,157
Net Pension Liability	391,127,000	371,615,000	19,512,000
Other postemployment benefits	188,831,003	165,565,903	23,265,100
Total	\$ 1,119,985,345	\$ 1,053,036,339	\$ 66,949,006

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

The Governor signed the 2019-20 *Budget Act* and other budget-related bills on June 27, 2019.

**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 establishes a minimum spending requirement commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 attendance. The state can spend at the minimum guarantee or any level above it. Spending above the minimum guarantee one year typically becomes part of the base for calculating the minimum guarantee the next year.

If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a “settle-up” obligation. In some years, the state also creates or pays “maintenance factor.” Maintenance factor is created when General Fund revenue is weak relative to per capita personal income and is paid when General Fund revenue is stronger.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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

**Proposition 98 (continued)**

***PUBLIC SCHOOL SYSTEM STABILIZATION ACCOUNT***

Proposition 2, enacted by voters in 2014, established the Public School System Stabilization Account, also referred to as the Proposition 98 Rainy Day Fund, within the Proposition 98 Guarantee as a formula-driven mechanism to lessen the impact of volatile state revenues on K-14 schools. In fiscal years with certain positive economic conditions, a deposit is made into the Account. These deposits can be spent in fiscal years in which the minimum Proposition 98 funding level is not sufficient to fund the prior year funded level adjusted for growth and inflation. For 2019-20, the Budget includes a constitutionally required deposit into the Account of \$376.5 million. This deposit does not initiate school district reserve caps, as the amount in the Account (which is equal to the 2019-20 deposit) is not equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee (approximately \$2.1 billion).

***LOCAL CONTROL FUNDING FORMULA***

In 2013, the LCFF was adopted to replace the prior revenue limit school finance system, which was inequitable, overly complex, and administratively costly. The formula allows for increased local control in school budgeting, and responds to research and practical experience that indicates students from low-income families, English language learners, and youth in foster care often require supplemental services and support to be successful in school. The Budget provides \$1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26-percent COLA. Since the enactment of LCFF, the state has allocated over \$23 billion in additional ongoing resources to local educational agencies through the formula.

***SPECIAL EDUCATION***

Local educational agencies are required by federal law to provide appropriate and comprehensive educational programs for students with disabilities. However, historical federal underfunding of special education (especially for services to preschool-age children with disabilities), complex, unequal, and administratively costly state funding for special education, and the rising cost of special education services, especially for school districts with high proportions of students with disabilities, can impact school districts' ability to provide a comprehensive program of services for students with exceptional needs.

The Budget includes \$645.3 million ongoing Proposition 98 General Fund for special education. Specifically, the Budget includes \$152.6 million to provide all Special Education Local Plan Areas (SELPA's) with at least the statewide target rate for base special education funding, approximately \$557 per unit of average daily attendance, under the existing special education funding formula. The Budget also includes \$492.7 million for special education allocated based on the number of children ages 3 to 5 years with exceptional needs that the school district is serving.

Finally, the Budget includes an additional \$500,000 one-time non-Proposition 98 General Fund to improve state agency coordination to increase local educational agencies' ability to draw down federal funds for medically-related special education services and to improve the transition of three-year-olds with disabilities from regional centers to local educational agencies.

***CALSTRS And CALPERS Employer Contribution Rates***

In response to a large unfunded liability in the system, Chapter 47, Statutes of 2014 (AB 1469) was enacted to put CalSTRS on the path to full funding over a 32-year period. Contribution rates for employers were scheduled to increase incrementally each year from 8.25 percent in 2013-14 to 19.1 percent in 2020-21 (the 2018-19 rate for schools is 16.28 percent).



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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

**Proposition 98 (continued)**

The California Public Employees' Retirement System (CalPERS) Schools Pool, which includes classified school employees as members, funds pension benefits through actuarially determined contributions. Contribution rates for employers are currently expected to increase from 18.1 percent in 2018-19 to 23.6 percent by 2020-21.

To provide relief to local educational agencies and community colleges for the rising costs of pensions, both now and in the future, the Budget includes a \$3.15 billion non-Proposition 98 General Fund payment on their behalf to CalSTRS and the CalPERS Schools Pool. Of this amount, an estimated \$850 million will buy down the employer contribution rates in 2019-20 and 2020-21.

With these payments, the CalSTRS employer contribution rate will decrease from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.4 percent in 2020-21. The payments will decrease the CalPERS Schools Pool employer contribution rate from 20.7 percent to 19.7 percent in 2019-20 and from 23.6 percent to 22.9 percent in 2020-21. The remaining \$2.3 billion will be paid toward the employers' long-term unfunded liability for both systems. Overall, this payment is expected to save employers \$6.1 billion over the next three decades, with an estimated reduction in the out-year contribution rate to CalSTRS of 0.3 percentage points, and to the CalPERS Schools Pool of 0.1 to 0.3 percentage points.

***Retaining And Supporting Well-Prepared Educators***

California struggles with chronic teacher shortages in various regions of the state, and especially in certain subject matter areas. To recruit and retain qualified teachers in school districts with high rates of under-prepared teachers, the Budget includes \$89.8 million one-time non-Proposition 98 General Fund to provide up to 4,487 grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years. Funds will be provided to qualifying individuals in hard-to-hire subject matter areas (including bilingual education; special education; and science, technology, engineering, and mathematics (STEM); among other areas) and school sites with the highest rates of non-credentialed or waiver teachers.

Additionally, the Budget includes \$43.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around key state priorities.

Finally, the Budget includes \$13.8 million ongoing federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

***Computer Science***

Some districts still need infrastructure and updates to meet the growing bandwidth needs of digital learning. To expedite these solutions, the Budget includes \$7.5 million one-time non-Proposition 98 General Fund for broadband infrastructure.

***Full-Day Kindergarten***

The Budget includes \$300 million one-time non-Proposition 98 General Fund to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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

**Proposition 98 (continued)**

***Other K-12 Budget Adjustments***

In addition to the augmentations described above, the Budget also provides:

- Proposition 98 Settle-Up—An increase of \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through 2017-18.
- Classified School Employees Summer Assistance Program—An increase of \$36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program, which provides a state match for classified employee savings used to provide income during summer months.
- AB 1840 Adjustments—An increase of \$3.6 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$514,000 one-time Proposition 98 General Fund for Oakland Unified School District, amounting to 75 percent of the operating deficit of these districts, pursuant to Chapter 426, Statutes of 2018 (AB 1840).
- Special Olympics—An increase of \$4 million one-time non-Proposition 98 General Fund for the Special Olympics of Northern and Southern California.
- Wildfire-Related Cost Adjustments—An increase of \$2 million one-time Proposition 98 General Fund to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, an increase of \$727,000 one-time Proposition 98 General Fund to reflect adjustments to the state's student nutrition programs resulting from wildfire-related losses. Further, the Budget holds both school districts and charter schools impacted by the 2018 wildfires harmless for state funding for two years.
- Breakfast After the Bell—An increase of \$500,000 one-time Proposition 98 General Fund to increase participation in the Breakfast After the Bell school nutrition program.
- Homeless Youth Education—An increase of \$500,000 one-time Proposition 98 General Fund for the San Diego Unified School District to support the education of homeless youth.
- California Association of Student Councils—An increase of \$150,000 one-time non-Proposition 98 General Fund to provide leadership development opportunities for financially disadvantaged students.

***SCHOOL FACILITIES BOND FUNDS***

Proposition 51, approved by voters in November 2016, authorized a total of \$7 billion in state general obligation bonds for K-12 schools to be allocated through the School Facilities Program in place as of January 1, 2015. Approximately \$600 million in Proposition 51 bond funds have been expended in each of fiscal years 2017-18 and 2018-19. The Budget assumes \$1.5 billion Proposition 51 bond funds, an increase of \$906 million over the prior year, to support school construction projects. These funds will support new construction, modernization, retrofitting, career technical education, and charter school facility projects. The Budget also includes an additional \$1.2 million ongoing Proposition 51 bond funds and State School Site Utilization Funds, and 10 positions for the Office of Public School Construction to support the increased processing of applications and program workload

**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, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 194,252,853
Receivables	17,312,584
Stores inventory	422,973
Prepaid expenses	16,350
Non-depreciable capital assets (Note 4)	28,605,183
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>517,802,696</u>
Total assets	<u>758,412,639</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred outflows of resources - pensions (Notes 8 and 9)	124,277,378
Deferred outflows of resources - OPEB (Note 7)	9,927,977
Deferred loss from refunding of debt	<u>6,821,313</u>
Total deferred outflows	<u>141,026,668</u>
<b>LIABILITIES</b>	
Accounts payable	25,849,192
Unearned revenue	848,040
Long-term liabilities (Note 5):	
Due within one year	25,722,759
Due after one year	<u>1,094,262,586</u>
Total liabilities	<u>1,146,682,577</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 8 and 9)	23,065,000
Deferred inflows of resources - OPEB (Note 7)	<u>1,307,576</u>
Total deferred inflows	<u>24,372,576</u>
<b>NET POSITION</b>	
Net investment in capital assets	134,792,453
Restricted:	
Legally restricted programs	26,300,465
Capital projects	17,878,695
Debt service	31,577,765
Unrestricted	<u>(482,165,224)</u>
Total net position	<u>\$ (271,615,846)</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, 2019

	Program Revenues				Net (Expense) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 276,258,917	\$ 1,028,242	\$ 69,607,371	\$ 4,090,621	\$ (201,532,683)
Instruction-related services:					
Supervision of instruction	17,674,468	72,760	5,631,554	-	(11,970,154)
Instructional library, media and technology	4,567,872	1,096	764,636	-	(3,802,140)
School site administration	31,113,524	8,504	4,163,780	-	(26,941,240)
Pupil services:					
Home-to-school transportation	12,625,282	500	474,942	-	(12,149,840)
Food services	12,515,959	2,849,319	9,099,092	-	(567,548)
All other pupil services	29,883,490	135,729	9,041,121	-	(20,706,640)
General administration:					
Data processing	3,606,440	110	124,683	-	(3,481,647)
All other general administration	10,182,558	142,625	2,326,490	-	(7,713,443)
Plant services	62,738,488	6,734	1,505,771	-	(61,225,983)
Ancillary activities	2,107,376	5,200	606,677	-	(1,495,499)
Community services	625	-	260	-	(365)
Interest on long-term liabilities	20,791,958	-	-	-	(20,791,958)
Other outgo	2,254,123	110,881	958,672	-	(1,184,570)
	<u>\$ 486,321,080</u>	<u>\$ 4,361,700</u>	<u>\$ 104,305,049</u>	<u>\$ 4,090,621</u>	<u>(373,563,710)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					147,485,317
Taxes levied for debt service					41,230,619
Taxes levied for other specific purposes					1,295,990
Federal and state aid not restricted to specific purposes					141,997,596
Interest and investment earnings					1,927,135
Miscellaneous					10,100,085
					Total general revenues
					344,036,742
					Change in net position
					(29,526,968)
					Net position, July 1, 2018
					(242,088,878)
					Net position, June 30, 2019
					\$ (271,615,846)

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 49,126,833	\$ 66,976,742	\$ 31,577,765	\$ 20,100,365	\$ 167,781,705
Cash on hand and in banks	19,668	-	-	820,367	840,035
Cash awaiting deposit	-	-	-	7,126	7,126
Cash in revolving fund	305,000	-	-	-	305,000
Cash with fiscal agent	14,615	21,725,145	-	-	21,739,760
Local Agency Investment Fund	1,552,179	-	-	2,027,048	3,579,227
Receivables	15,071,131	-	-	2,241,453	17,312,584
Prepaid expenditures	10,750	-	-	5,600	16,350
Due from other funds	235	-	-	229,452	229,687
Stores inventory	416,950	-	-	6,023	422,973
	<u>416,950</u>	<u>-</u>	<u>-</u>	<u>6,023</u>	<u>422,973</u>
Total assets	<u>\$ 66,517,361</u>	<u>\$ 88,701,887</u>	<u>\$ 31,577,765</u>	<u>\$ 25,437,434</u>	<u>\$ 212,234,447</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 15,949,762	\$ 3,283,537	\$ -	\$ 659,692	\$ 19,892,991
Unearned revenue	848,040	-	-	-	848,040
Due to other funds	229,452	-	-	235	229,687
	<u>229,452</u>	<u>-</u>	<u>-</u>	<u>235</u>	<u>229,687</u>
Total liabilities	<u>17,027,254</u>	<u>3,283,537</u>	<u>-</u>	<u>659,927</u>	<u>20,970,718</u>
Fund balances:					
Nonspendable	732,700	-	-	11,623	744,323
Restricted	19,401,653	85,418,350	31,577,765	24,765,884	161,163,652
Assigned	17,734,502	-	-	-	17,734,502
Unassigned	11,621,252	-	-	-	11,621,252
	<u>11,621,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,621,252</u>
Total fund balances	<u>49,490,107</u>	<u>85,418,350</u>	<u>31,577,765</u>	<u>24,777,507</u>	<u>191,263,729</u>
Total liabilities and fund balances	<u>\$ 66,517,361</u>	<u>\$ 88,701,887</u>	<u>\$ 31,577,765</u>	<u>\$ 25,437,434</u>	<u>\$ 212,234,447</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, 2019

Total fund balances - Governmental Funds \$ 191,263,729

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 \$890,783,279 and the accumulated depreciation is \$344,375,400 (Note 4). 546,407,879

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2019 consisted of (Note 5):

General Obligation Bonds	\$ (450,597,000)	
Accreted interest	(32,043,995)	
Unamortized premiums	(28,823,358)	
Construction loan	(3,921,981)	
Certificates of participation	(20,000,000)	
Capitalized leases	(620,803)	
Total OPEB liability (Note 7)	(188,831,003)	
Net pension liability (Notes 8 and 9)	(391,127,000)	
Compensated absences	<u>(4,020,205)</u>	
		(1,119,985,345)

Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. (5,956,201)

In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings 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. 6,821,313

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	\$ 9,927,977	
Deferred inflows of resources relating to OPEB	(1,307,576)	
Deferred outflows of resources relating to pensions	124,277,378	
Deferred inflows of resources relating to pensions	<u>(23,065,000)</u>	
		109,832,779

Total net position - governmental activities \$ (271,615,846)

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, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 142,074,889	\$ -	\$ -	\$ -	\$ 142,074,889
Local sources	<u>133,690,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,690,723</u>
Total LCFF	<u>275,765,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,765,612</u>
Federal sources	17,228,788	-	1,668,432	9,378,227	28,275,447
Other state sources	70,621,193	41,248	282,063	8,947,706	79,892,210
Other local sources	<u>15,718,597</u>	<u>1,272,742</u>	<u>41,314,091</u>	<u>11,503,079</u>	<u>69,808,509</u>
Total revenues	<u>379,334,190</u>	<u>1,313,990</u>	<u>43,264,586</u>	<u>29,829,012</u>	<u>453,741,778</u>
<b>Expenditures:</b>					
Current:					
Certificated salaries	160,925,543	-	-	2,515,140	163,440,683
Classified salaries	55,992,305	644,814	-	6,222,179	62,859,298
Employee benefits	111,991,896	291,655	-	4,001,712	116,285,263
Books and supplies	13,228,043	59,042	-	5,695,849	18,982,934
Contract services and operating expenditures	41,153,996	1,372,599	-	1,440,270	43,966,865
Other outgo	2,254,123	-	-	-	2,254,123
Capital outlay	1,762,537	19,748,930	-	3,044,438	24,555,905
Debt service:					
Principal retirement	445,128	-	19,980,203	226,563	20,651,894
Interest	<u>28,224</u>	<u>-</u>	<u>18,316,098</u>	<u>-</u>	<u>18,344,322</u>
Total expenditures	<u>387,781,795</u>	<u>22,117,040</u>	<u>38,296,301</u>	<u>23,146,151</u>	<u>471,341,287</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(8,447,605)</u>	<u>(20,803,050)</u>	<u>4,968,285</u>	<u>6,682,861</u>	<u>(17,599,509)</u>
<b>Other financing sources (uses):</b>					
Transfers in	635,877	-	-	229,139	865,016
Transfers out	(229,139)	-	-	(635,877)	(865,016)
Proceeds from the issuance of General Obligation Bonds	-	20,000,000	-	-	20,000,000
Proceeds from the issuance of Certificates of Participation	-	20,000,000	-	-	20,000,000
Debt issuance premiums	<u>-</u>	<u>2,509,601</u>	<u>-</u>	<u>-</u>	<u>2,509,601</u>
Total other financing sources (uses)	<u>406,738</u>	<u>42,509,601</u>	<u>-</u>	<u>(406,738)</u>	<u>42,509,601</u>
Net change in fund balances	(8,040,867)	21,706,551	4,968,285	6,276,123	24,910,092
Fund balances, July 1, 2018	<u>57,530,974</u>	<u>63,711,799</u>	<u>26,609,480</u>	<u>18,501,384</u>	<u>166,353,637</u>
Fund balances, June 30, 2019	<u>\$ 49,490,107</u>	<u>\$ 85,418,350</u>	<u>\$ 31,577,765</u>	<u>\$ 24,777,507</u>	<u>\$ 191,263,729</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, 2019

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Net change in fund balances - Total Governmental Funds	\$ 24,910,092
Amounts reported for governmental activities in the Statement of Activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the Statement of Net Position (Note 4).	28,185,059
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(21,931,828)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the Statement of Net Position (Note 5).	20,651,894
In governmental funds, proceeds from the issuance of debt are recognized as other financing sources (revenue). In the government-wide financial statements debt issuances are reported as increases to liabilities (Note 5).	(40,000,000)
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide financial statements debt issued at a premium is amortized as interest over the life of the debt (Note 5).	82,575
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(4,519,218)
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the Statement of Net Position.	345,151
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.	(865,743)
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:	(22,987,564)
In the Statement of Activities, expenses related to Other Postemployment Benefits (OPEB) are measured by the amounts earned during the year. In the Governmental funds, expenditures are measured by the amount of financial resources used.	(13,010,229)
In the Statement of Activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>(387,157)</u>
Change in net position of governmental activities	<u>\$ (29,526,968)</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
June 30, 2019

	Trust Fund	Agency Funds	
	Private- Purpose Trust Fund	Debt Service Fund for Special Assessment Debt	Student Body Fund
<b>ASSETS</b>			
Cash and investments (Note 2):			
Cash in County Treasury	\$ 57,977	\$ 6,481,462	\$ -
Cash on hand and in banks	-	-	1,198,473
Cash with fiscal agent	-	1,403,778	-
Total assets	57,977	\$ 7,885,240	\$ 1,198,473
<b>LIABILITIES</b>			
Due to bondholders	-	\$ 7,885,240	\$ -
Due to student groups	-	-	1,198,473
Total liabilities	-	\$ 7,885,240	\$ 1,198,473
<b>NET POSITION</b>			
Restricted for private purposes	\$ 57,977		

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
TRUST FUND  
For the Year Ended June 30, 2019

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	Private- Purpose Trust <u>Fund</u>
Additions:	
Local sources	\$ 1,334
Net position, July 1, 2018	<u>56,643</u>
Net position, June 30, 2019	<u>\$ 57,977</u>

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**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 Fund for Blended Component Units, and in the Fiduciary Funds 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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**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 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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Student Body Funds are collectively an Agency fund for the balances included at the school sites, with respect to their Associated Student Body (ASB) activities. The amounts reported for Student Body Funds represent the combined totals of all ASB activities within the District.

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

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, 2019.

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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 a 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.

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	<u>\$ 91,145,844</u>	<u>\$ 33,131,534</u>	<u>\$124,277,378</u>
Deferred inflows of resources	<u>\$ 22,755,000</u>	<u>\$ 310,000</u>	<u>\$ 23,065,000</u>
Net pension liability	<u>\$277,385,000</u>	<u>\$113,742,000</u>	<u>\$391,127,000</u>
Pension expense	<u>\$ 64,347,949</u>	<u>\$ 26,878,658</u>	<u>\$ 91,226,607</u>

Compensated Absences: Compensated absences benefits totaling \$4,020,205 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.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 restriction for the private-purpose trust fund represents net position which is to be used to future private-purposes. 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".

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 trust 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. At June 30, 2019, the District had no committed fund balances.

**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, 2019, no such designation has occurred.

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(Continued)



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2019, 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, 2019, the District has not established a stabilization arrangement.

Custodial Relationships: The Agency Funds represent the assets and liabilities of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2019 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 167,781,705	\$ 6,539,439
Cash awaiting deposit	7,126	-
Local Agency Investment Fund	3,579,227	-
Deposits:		
Cash on hand and in banks	840,035	1,198,473
Cash in revolving fund	305,000	-
Investments:		
Cash with fiscal agent	21,739,760	1,403,778
Total	\$ 194,252,853	\$ 9,141,690

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, 2019, this fund was yielding approximately 2.55% 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.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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, 2019, the carrying amount of the District's accounts totaled \$2,343,508 and the bank balances were \$2,337,868. The total uninsured bank balances at June 30, 2019 were \$1,555,305.

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, 2019, 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, 2019, the District had no concentration of credit risk.

**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: Individual fund interfund receivable and payable balances at June 30, 2019 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 235	\$ 229,452
Non-Major Funds:		
Adult Education	313	235
Cafeteria	<u>229,139</u>	<u>-</u>
	<u>\$ 229,687</u>	<u>\$ 229,687</u>

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

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, 2019 were as follows:

Transfer from the General Fund to the Cafeteria Fund to subsidize uncollectible student meal balances.	\$ 229,139
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	201,198
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>434,679</u>
	<u><u>\$ 865,016</u></u>

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2019 is shown below:

	Balance July 1, <u>2018</u>	<u>Additions</u>	Deletions and <u>Transfers</u>	Balance June 30, <u>2019</u>
Non-depreciable:				
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Construction in progress	9,413,738	26,456,258	(21,701,275)	14,168,721
Depreciable:				
Land improvements	117,196,466	-	-	117,196,466
Buildings	698,158,091	-	21,701,275	719,859,366
Equipment	<u>23,393,463</u>	<u>1,728,801</u>	<u>-</u>	<u>25,122,264</u>
Totals, at cost	<u>862,598,220</u>	<u>28,185,059</u>	<u>-</u>	<u>890,783,279</u>
Less accumulated depreciation:				
Land improvements	(27,985,076)	(5,859,823)	-	(33,844,899)
Buildings	(276,359,628)	(14,397,187)	-	(290,756,815)
Equipment	<u>(18,098,868)</u>	<u>(1,674,818)</u>	<u>-</u>	<u>(19,773,686)</u>
Total accumulated depreciation	<u>(322,443,572)</u>	<u>(21,931,828)</u>	<u>-</u>	<u>(344,375,400)</u>
Capital assets, net	<u>\$ 540,154,648</u>	<u>\$ 6,253,231</u>	<u>\$ -</u>	<u>\$ 546,407,879</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 10,660
Supervision of instruction	8,529
Pupil services	523,709
All other general administration	83,669
Plant services	<u>21,305,261</u>
Total depreciation expense	<u><u>\$ 21,931,828</u></u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 5- LONG-TERM LIABILITIES**

General Obligation Bonds

Bond	Issue Date	Interest Rate %	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2018	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2019
<u>Measure C</u>								
Series A	2011	3.5 - 5.0%	2035	\$ 50,456,475	\$ 50,406,074	\$ -	\$ 24,074	\$ 50,382,000
Series B	2011	3.0 - 5.0%	2027	59,540,000	47,965,000	-	4,325,000	43,640,000
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	6,436,129	-	246,129	6,190,000
Series E	2012	3.0 - 5.0%	2037	149,995,000	136,230,000	-	780,000	135,450,000
Series F	2016	4.15 - 5.3%	2025	38,500,000	23,765,000	-	5,810,000	17,955,000
Series G	2017	1.0 - 5.0%	2031	38,500,000	38,500,000	-	705,000	37,795,000
<u>Refunding Bonds</u>								
2002 Series B	2011	3.0 - 5.0%	2023	43,700,000	29,850,000	-	4,495,000	25,355,000
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	49,910,000	-	1,245,000	48,665,000
2011 Refunding	2011	3.0 - 5.5%	2026	37,790,000	23,700,000	-	2,350,000	21,350,000
<u>Measure J</u>								
Series A	2019	2.2%	2024	<u>20,000,000</u>	<u>-</u>	<u>20,000,000</u>	<u>-</u>	<u>20,000,000</u>
				<u>\$ 544,035,057</u>	<u>\$ 450,577,203</u>	<u>\$ 20,000,000</u>	<u>\$ 19,980,203</u>	<u>\$ 450,597,000</u>

Accreted Interest

Series	Beginning	Accretion	Deductions	Total
2010, Series A	\$ 27,299,031	\$ 4,780,890	\$ 35,926	\$ 32,043,995
2010, Series D	<u>225,746</u>	<u>23,125</u>	<u>248,871</u>	<u>-</u>
	<u>\$ 27,524,777</u>	<u>\$ 4,804,015</u>	<u>\$ 284,797</u>	<u>\$ 32,043,995</u>

As of June 30, 2019 the outstanding General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 20,741,782	\$ 16,882,684	\$ 37,624,466
2021	26,590,603	16,149,494	42,740,097
2022	27,867,954	18,228,806	46,096,760
2023	30,077,402	17,511,271	47,588,673
2024	22,395,691	18,573,311	40,969,002
2025-2029	135,185,393	85,884,726	221,070,119
2030-2034	121,629,434	64,963,570	186,593,004
2035-2038	<u>66,108,741</u>	<u>13,530,219</u>	<u>79,638,960</u>
	<u>\$ 450,597,000</u>	<u>\$ 251,724,081</u>	<u>\$ 702,321,081</u>

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 at June 30, 2019, is \$3,921,981.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 5- LONG -TERM LIABILITIES (Continued)**

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:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,565,000	\$ 960,875	\$ 2,525,875
2021	1,570,000	882,500	2,452,500
2022	2,825,000	772,625	3,597,625
2023	2,690,000	634,750	3,324,750
2024	2,335,000	509,125	2,844,125
2025-2027	<u>9,015,000</u>	<u>722,875</u>	<u>9,737,875</u>
	<u>\$ 20,000,000</u>	<u>\$ 4,482,750</u>	<u>\$ 24,482,750</u>

Capitalized Leases: The District school buses under long-term lease purchase agreements. The District has included in Equipment, capital assets with a historical cost of \$2,983,632 and accumulated depreciation of \$1,522,241 for assets acquired under capitalized leases. The following is a schedule of future lease payments:

Year Ending June 30,	<u>Lease Payments</u>
2020	\$ 486,140
2021	<u>155,868</u>
Total payments	642,008
Less amount representing interest	<u>(21,205)</u>
Net present value of minimum payments	<u>\$ 620,803</u>

A schedule of changes in long-term liabilities for the year ended June 30, 2019 is shown below:

	Balance June 30, 2018	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2019	Amounts Due Within One Year
<u>Debt:</u>					
General Obligation Bonds	\$ 450,577,203	\$ 20,000,000	\$ 19,980,203	\$ 450,597,000	\$ 20,741,782
Accreted interest	27,524,777	4,804,015	284,797	32,043,995	48,218
Unamortized Premiums	28,905,933	2,509,601	2,592,176	28,823,358	2,899,317
Construction loan	4,148,544	-	226,563	3,921,981	-
Certificates of participation	-	20,000,000	-	20,000,000	1,565,000
Capitalized leases	1,065,931	-	445,128	620,803	468,442
<u>Other Long-Term Liabilities:</u>					
Total OPEB liability (Note 7)	165,565,903	23,265,100	-	188,831,003	-
Net pension liability (Notes 8 and 9)	371,615,000	19,512,000	-	391,127,000	-
Compensated absences	<u>3,633,048</u>	<u>387,157</u>	<u>-</u>	<u>4,020,205</u>	<u>-</u>
	<u>\$ 1,053,036,339</u>	<u>\$ 90,477,873</u>	<u>\$ 23,528,867</u>	<u>\$ 1,119,985,345</u>	<u>\$ 25,722,759</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 5- LONG -TERM LIABILITIES (Continued)**

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the construction loan are made from the Capital Facilities Fund. Payments on the certificates of participation and capitalized leases are made from the General Fund. 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. Special assessment debt of \$10,335,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in these financial statements.

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2019 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 305,000	\$ -	\$ -	\$ -	\$ 305,000
Stores inventory	416,950	-	-	6,023	422,973
Prepaid expenditures	<u>10,750</u>	<u>-</u>	<u>-</u>	<u>5,600</u>	<u>16,350</u>
Subtotal nonspendable	<u>732,700</u>	<u>-</u>	<u>-</u>	<u>11,623</u>	<u>744,323</u>
Restricted:					
Unspent categorical revenues	19,401,653	-	-	6,887,189	26,288,842
Capital projects	-	85,418,350	-	17,878,695	103,297,045
Debt service	<u>-</u>	<u>-</u>	<u>31,577,765</u>	<u>-</u>	<u>31,577,765</u>
Subtotal restricted	<u>19,401,653</u>	<u>85,418,350</u>	<u>31,577,765</u>	<u>24,765,884</u>	<u>161,163,652</u>
Assigned:					
One-time designations Reserved for anticipated deficit spending	3,754,737	-	-	-	3,754,737
	<u>13,979,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,979,765</u>
Subtotal assigned	<u>17,734,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,734,502</u>
Unassigned:					
Designated for economic uncertainty	<u>11,621,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,621,252</u>
Total fund balances	<u>\$ 49,490,107</u>	<u>\$ 85,418,350</u>	<u>\$ 31,577,765</u>	<u>\$ 24,777,507</u>	<u>\$ 191,263,729</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, 2019, 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 64. 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 retirees 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.

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(Continued)



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**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, 2019:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	1,289
Active employees	<u>3,213</u>
	<u><u>4,502</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 \$6,582,820 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB plan.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the June 30, 2019 actuarial report was determined using the following actuarial assumptions, which were applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	June 30, 2019
<u>Actuarial Method</u>	Entry Age actuarial cost method has been used, with normal costs calculated as a level percentage of payroll.
<u>Discount Rate</u>	3.15%.
<u>Health Care Increases</u>	Medical insurance premiums are assumed to increase by 6.50% in 2019, decreasing to 5.00% in subsequent years. Dental rates are expected to increase by 4.00%.
<u>Mortality Rates</u>	Mortality rates are based on the SOA Pub-2010 General table with generation mortality improvement scale for CalPERS (MP-2018) for classified and confidential employees and CalSTRS (MP-2018) for certificated and management employees.
<u>Health Plan Coverage Elections</u>	100% of eligible employees are assumed to elect coverage upon retirement, through the expiration of the benefit period for the respective employee group. 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 (50% for employee groups with a District medical contribution for retiree only) are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage is used for current retirees when available.
<u>Termination Rates</u>	Termination rates are taken from the most recent experience studies for CalPERS (2017) for classified and confidential employees and CalSTRS (2017) for certificated and management employees.
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	3.00% per year

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.15%. The municipal bond rate was based on the week closest but not later than the measurement date of the average of the S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index at the measurement date, as published by the Federal Reserve. To be eligible for the indices the bonds must be rated at least Moody's Investors Service's Aa2, AA by Standard & Poor's Corp.'s, or AA by Fitch Ratings.

*Changes in Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ <u>165,565,903</u>
Changes for the year:	
Service cost	11,840,329
Interest	6,094,019
Differences between actual and expected experience	7,133,647
Changes in assumptions	4,779,925
Benefit payments	<u>(6,582,820)</u>
Net change	<u>23,265,100</u>
Balance at June 30, 2019	<u>\$ 188,831,003</u>

The changes in assumptions include a change in the discount rate from 3.50% as of the June 30, 2018 measurement date, to 3.15% in the June 30, 2019 measurement date. Differences between actual and expected experience are an aggregation of changes in demographic data and eligible employees.

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 (2.15%)	Current Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	<u>\$ 214,156,106</u>	<u>\$ 188,831,003</u>	<u>\$ 167,829,949</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 (5.50 - 4.00%)	Healthcare Cost Trend Rates Rate (6.50-5.00%)	1% Increase (7.50-6.00%)
Total OPEB liability	<u>\$ 162,282,152</u>	<u>\$ 188,831,003</u>	<u>\$ 222,394,801</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

**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, 2019, the District recognized OPEB expense of \$19,593,049. At June 30, 2019, 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	\$ 3,983,271	\$ 1,307,576
Changes in assumptions	<u>5,944,706</u>	<u>-</u>
Total	<u>\$ 9,927,977</u>	<u>\$ 1,307,576</u>

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

<u>Years Ended June 30,</u>	
2020	\$ 1,658,701
2021	\$ 1,658,701
2022	\$ 1,658,701
2023	\$ 1,658,701
2024	\$ 1,985,597

**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/comprehensive-annual-financial-report>.

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.

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.

(Continued)

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

*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 is 2.4 percent of final compensation.

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 three consecutive years 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 three consecutive years 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. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2018–19. 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 2018–19.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

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 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

*Employers* – 16.28 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2018–19 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

\* The Teachers' Retirement Board (the "Board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$25,474,844 to the plan for the fiscal year ended June 30, 2019.

*State* - 9.828 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The state’s base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate will increase to 5.811 percent on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019–20 through 2022–23. The CalSTRS state contribution rates effective for fiscal year 2018-19 and beyond are summarized in the table below:

The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019	2.017%	5.811%(2)	2.50%	10.328%(3)
July 01, 2020 to June 30, 2046	2.017%	(3)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	4.517%(5)

- (1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.
- (2) In May 2019, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2019.
- (3) This rate does not include the \$2.2 billion supplemental rate contribution on behalf of employers pursuant to SB90.
- (4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.
- (5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2019, 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	\$ 277,385,000
State’s proportionate share of the net pension liability associated with the District	<u>158,817,000</u>
<b>Total</b>	<b><u>\$ 436,202,000</u></b>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the District’s proportion was 0.302 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$64,347,949 and revenue of \$28,784,586 for support provided by the State. At June 30, 2019, 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	\$ 860,000	\$ 4,029,000
Changes of assumptions	43,093,000	-
Net differences between projected and actual earnings on investments	-	10,681,000
Changes in proportion and differences between District contributions and proportionate share of contributions	21,718,000	8,045,000
Contributions made subsequent to measurement date	<u>25,474,844</u>	<u>-</u>
Total	<u>\$ 91,145,844</u>	<u>\$ 22,755,000</u>

\$25,474,844 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ 12,785,750
2021	\$ 8,783,750
2022	\$ 1,504,750
2023	\$ 7,115,416
2024	\$ 12,005,667
2025	\$ 720,667

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, 2017 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, 2019

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**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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
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 Not applicable for DBS/CBB

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 general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

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>
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

\* 20-year geometric average.

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. 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.

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>\$ 406,337,000</u>	<u>\$ 277,385,000</u>	<u>\$ 170,472,000</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)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**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/cafr-2018.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, 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, 2019 were as follows:

*Members* - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2018-19.

*Employers* - The employer contribution rate was 16.28 percent of applicable member earnings.

The District contributed \$10,119,534 to the plan for the fiscal year ended June 30, 2019.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

At June 30, 2019, the District reported a liability of \$113,742,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the District’s proportion was 0.427 percent, which was an increase of 0.013 from its proportion measured as of June 30, 2017.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

For the year ended June 30, 2019, the District recognized pension expense of \$26,878,658, and revenue of \$3,860,080 for support provided by the State. At June 30, 2019, 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	\$ 7,457,000	\$ -
Changes of assumptions	11,357,000	-
Net differences between projected and actual earnings on investments	933,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,265,000	310,000
Contributions made subsequent to measurement date	<u>10,119,534</u>	<u>-</u>
Total	<u>\$ 33,131,534</u>	<u>\$ 310,000</u>

\$10,119,534 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ 12,799,500
2021	\$ 10,107,500
2022	\$ 466,500
2023	\$ (671,500)

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 4 years as of the June 30, 2018 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.

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
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	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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, 2017 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 of 1 - 10 (1)</u>	<u>Expected Real Rate of Return Years of 11+ (2)</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation of Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	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.

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 cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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 Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 165,603,000</u>	<u>\$ 113,742,000</u>	<u>\$ 70,716,000</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.

The following is a summary of financial information of CCCSIG as of June 30, 2019, and CSAC-EIA, SSICCC, and SPURR as of June 30, 2018 (the most recent audited information available):

	<u>CCCSIG</u>	<u>CSAC-EIA</u>	<u>SSICCC</u>	<u>SPURR</u>
Total assets	\$118,956,437	\$834,314,751	\$ 10,704,436	\$ 15,263,579
Total deferred outflows	\$ 527,411	\$ 1,718,920	\$ -	\$ -
Total liabilities	\$ 84,750,496	\$712,318,785	\$ 843,024	\$ 9,192,458
Total deferred inflows	\$ -	\$ 1,144,292	\$ -	\$ -
Net position	\$ 34,733,352	\$122,570,594	\$ 9,861,412	\$ 6,071,121
Total revenues	\$ 54,112,041	\$894,513,907	\$ 15,493,758	\$ 41,061,784
Total expenditures	\$ 48,730,815	\$906,269,207	\$ 14,615,712	\$ 41,787,825
Change in net position	\$ 5,381,226	\$ (11,755,300)	\$ 878,046	\$ (726,041)

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.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**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, 2019, the District had approximately \$11.3 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, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 152,151,089	\$ 141,166,115	\$ 142,074,889	\$ (908,774)
Local sources	<u>121,886,046</u>	<u>133,788,907</u>	<u>133,690,723</u>	<u>98,184</u>
Total LCFF	<u>274,037,135</u>	<u>274,955,022</u>	<u>275,765,612</u>	<u>(810,590)</u>
Federal sources	16,707,720	20,423,905	17,228,788	3,195,117
Other state sources	56,544,077	58,359,577	70,621,193	(12,261,616)
Other local sources	<u>10,220,701</u>	<u>15,101,985</u>	<u>15,718,597</u>	<u>(616,612)</u>
Total revenues	<u>357,509,633</u>	<u>368,840,489</u>	<u>379,334,190</u>	<u>(10,493,701)</u>
Expenditures:				
Current:				
Certificated salaries	167,132,681	162,352,506	160,925,543	1,426,963
Classified salaries	56,820,773	55,322,468	55,992,305	(669,837)
Employee benefits	100,794,458	99,137,283	111,991,896	(12,854,613)
Books and supplies	12,268,803	24,417,190	13,228,043	11,189,147
Contract services and operating expenditures	35,573,472	47,355,852	41,153,996	6,201,856
Other outgo	1,232,748	2,254,261	2,254,123	138
Capital outlay	1,851,428	9,699,840	1,762,537	7,937,303
Debt service:				
Principal retirement	484,406	445,128	445,128	-
Interest	<u>24,947</u>	<u>28,224</u>	<u>28,224</u>	<u>-</u>
Total expenditures	<u>376,183,716</u>	<u>401,012,752</u>	<u>387,781,795</u>	<u>13,230,957</u>
Deficiency of revenues under expenditures	<u>(18,674,083)</u>	<u>(32,172,263)</u>	<u>(8,447,605)</u>	<u>(23,724,658)</u>
Other financing sources (uses):				
Transfers in	-	1,322	635,877	(634,555)
Transfers out	<u>-</u>	<u>-</u>	<u>(229,139)</u>	<u>229,139</u>
Total other financing sources (uses)	<u>-</u>	<u>1,322</u>	<u>406,738</u>	<u>(405,416)</u>
Change in fund balance	(18,674,083)	(32,170,941)	(8,040,867)	(24,130,074)
Fund balance, July 1, 2018	<u>57,530,974</u>	<u>57,530,974</u>	<u>57,530,974</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 38,856,891</u>	<u>\$ 25,360,033</u>	<u>\$ 49,490,107</u>	<u>\$ (24,130,074)</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, 2019

	Last 10 Fiscal Years		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB Liability			
Service Cost	\$ 11,331,075	\$ 11,716,332	\$ 11,840,329
Interest	5,234,924	5,608,884	6,094,019
Changes of assumptions	-	(1,961,364)	4,779,925
Differences in experience	-	-	7,133,647
Benefit Payments	<u>(5,807,238)</u>	<u>(6,097,600)</u>	<u>(6,582,820)</u>
Net change in total OPEB liability	10,758,761	9,266,252	23,265,100
Total OPEB liability - beginning of year	<u>145,540,890</u>	<u>156,299,651</u>	<u>165,565,903</u>
Total OPEB liability - end of year	<u>\$ 156,299,651</u>	<u>\$ 165,565,903</u>	<u>\$ 188,831,003</u>
Covered employee payroll	\$ 202,725,000	\$ 202,725,000	\$ 209,530,000
Total OPEB liability as a percentage of covered-employee payroll	77.10%	81.67%	90.12%

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 THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2019

	State Teachers' Retirement Plan Last 10 Fiscal Years				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.276%	0.291%	0.272%	0.295%	0.302%
District's proportionate share of the net pension liability	\$161,286,120	\$195,912,840	\$219,996,320	\$272,885,000	\$277,385,000
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>
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>
District's covered payroll	\$123,886,776	\$131,676,520	\$137,080,196	\$156,387,000	\$160,658,000
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%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%

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.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2019

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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>
District's proportion of the net pension liability	0.398%	0.405%	0.396%	0.414%	0.427%
District's proportionate share of the net pension liability	\$ 45,171,338	\$ 59,623,699	\$ 78,289,245	\$ 98,730,000	\$113,742,000
District's covered payroll	\$ 41,430,353	\$ 45,257,132	\$ 47,558,749	\$ 52,731,000	\$ 56,267,000
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%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%

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.

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See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2019

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 11,692,875	\$ 14,708,705	\$ 19,673,538	\$ 23,182,949	\$ 25,474,844
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>
Contribution deficiency (excess)	<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	\$156,479,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%

All years prior to 2015 are not available.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2019

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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>
Contractually required contribution	\$ 5,327,217	\$ 5,634,285	\$ 7,324,363	\$ 8,738,265	\$ 10,119,534
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>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%

All years prior to 2015 are not available.

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See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - 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.

B - 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.

C - 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.

D - 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.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for the total OPEB liability was 3.40, 3.50 and 3.15 percent in the June 30, 2017, 2018 and 2019 actuarial reports, respectively.

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

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

<u>Assumption</u>	<u>Measurement Period</u>			
	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.75%	3.75%

**SUPPLEMENTARY INFORMATION**



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2019

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects for Blended Component Units Fund	Total
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 1,460,454	\$ 1,656,618	\$ 9,936,729	\$ 3,931,460	\$ 3,115,104	\$ 20,100,365
Cash on hand and in banks	-	820,367	-	-	-	820,367
Cash awaiting deposit	-	7,126	-	-	-	7,126
Local Agency Investment Fund	4,487	742,754	1,274,999	4,808	-	2,027,048
Receivables	884,582	1,348,544	8,148	31	148	2,241,453
Prepaid expenditures	5,600	-	-	-	-	5,600
Due from other funds	313	229,139	-	-	-	229,452
Stores inventory	-	6,023	-	-	-	6,023
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,355,436</u>	<u>\$ 4,810,571</u>	<u>\$ 11,219,876</u>	<u>\$ 3,936,299</u>	<u>\$ 3,115,252</u>	<u>\$ 25,437,434</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 21,716	\$ 245,244	\$ 28	\$ 151,966	\$ 240,738	\$ 659,692
Due to other funds	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>21,951</u>	<u>245,244</u>	<u>28</u>	<u>151,966</u>	<u>240,738</u>	<u>659,927</u>
Fund balances:						
Nonspendable	5,600	6,023	-	-	-	11,623
Restricted	<u>2,327,885</u>	<u>4,559,304</u>	<u>11,219,848</u>	<u>3,784,333</u>	<u>2,874,514</u>	<u>24,765,884</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>2,333,485</u>	<u>4,565,327</u>	<u>11,219,848</u>	<u>3,784,333</u>	<u>2,874,514</u>	<u>24,777,507</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 2,355,436</u>	<u>\$ 4,810,571</u>	<u>\$ 11,219,876</u>	<u>\$ 3,936,299</u>	<u>\$ 3,115,252</u>	<u>\$ 25,437,434</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2019

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects for Blended Component Units Fund	Total
<b>Revenues:</b>						
Federal sources	\$ 740,730	8,637,497	\$ -	\$ -	\$ -	\$ 9,378,227
Other state sources	4,221,341	714,514	-	3,969,823	42,028	8,947,706
Other local sources	<u>1,690,735</u>	<u>3,020,137</u>	<u>1,746,577</u>	<u>122,903</u>	<u>4,922,727</u>	<u>11,503,079</u>
Total revenues	<u>6,652,806</u>	<u>12,372,148</u>	<u>1,746,577</u>	<u>4,092,726</u>	<u>4,964,755</u>	<u>29,829,012</u>
<b>Expenditures:</b>						
Current:						
Certificated salaries	2,515,140	-	-	-	-	2,515,140
Classified salaries	1,233,722	4,275,974	-	32,002	680,481	6,222,179
Employee benefits	1,607,992	1,990,856	-	20,322	382,542	4,001,712
Books and supplies	279,984	5,392,008	20,209	-	3,648	5,695,849
Contract services and operating expenditures	627,574	195,368	111,970	396,451	108,907	1,440,270
Capital outlay	-	453,611	6,446	1,625,257	959,124	3,044,438
Debt service:						
Principal retirement	<u>-</u>	<u>-</u>	<u>226,563</u>	<u>-</u>	<u>-</u>	<u>226,563</u>
Total expenditures	<u>6,264,412</u>	<u>12,307,817</u>	<u>365,188</u>	<u>2,074,032</u>	<u>2,134,702</u>	<u>23,146,151</u>
Excess of revenues over expenditures	<u>388,394</u>	<u>64,331</u>	<u>1,381,389</u>	<u>2,018,694</u>	<u>2,830,053</u>	<u>6,682,861</u>
<b>Other financing uses:</b>						
Transfers in	-	229,139	-	-	-	229,139
Transfers out	<u>(201,198)</u>	<u>(434,679)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(635,877)</u>
Total other financing uses	<u>(201,198)</u>	<u>(205,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(406,738)</u>
Net change in fund balances	187,196	(141,209)	1,381,389	2,018,694	2,830,053	6,276,123
Fund balances, July 1, 2018	<u>2,146,289</u>	<u>4,706,536</u>	<u>9,838,459</u>	<u>1,765,639</u>	<u>44,461</u>	<u>18,501,384</u>
Fund balances, June 30, 2019	<u>\$ 2,333,485</u>	<u>\$ 4,565,327</u>	<u>\$ 11,219,848</u>	<u>\$ 3,784,333</u>	<u>\$ 2,874,514</u>	<u>\$ 24,777,507</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2019

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The Mount Diablo Unified School District was established on July 1, 1949. The District is located in Contra Costa County and serves students in the cities of Concord, Pleasant Hill, Walnut Creek, and portions of the cities of Clayton, Martinez, Pittsburg, and other surrounding communities. 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.

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>
Joanne Durkee	President	December 2020
Linda Mayo	Vice President	December 2022
Cherise Khaund	Member	December 2022
Brian Lawrence	Member	December 2020
Debra Mason	Member	December 2022

DISTRICT ADMINISTRATION

Dr. Nellie Meyer, Ed.D.<sup>1</sup>  
Superintendent

Jose Espinoza  
Assistant Superintendent, Elementary Schools

Jonathan Eagan  
Assistant Superintendent, Middle Schools

Michael Jimenez  
Assistant Superintendent, High Schools

Rose Ramos<sup>2</sup>  
Chief Business Official

Jennifer Sachs  
Executive Director of Instructional Support

Lisa Murphy Oates  
Executive Director of Human Resources

Wendi Aghily  
Executive Director of Special Education

<sup>1</sup> Dr. Robert A. Martinez was appointed as the Superintendent of the District on August 19, 2019.

<sup>2</sup> Ms. Ramos resigned from the position of Chief Business Officer on September 13, 2019.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2019

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	Original Second Period <u>Report</u>	Audited Second Period <u>Report*</u>	Annual <u>Report</u>
Certificate Number:	<u>240BBFED</u>	<u>06D1697D</u>	<u>58712A93</u>
Elementary:			
Transitional Kindergarten through Third	9,708	9,709	9,719
Fourth through Sixth	6,921	6,921	6,917
Seventh and Eighth	4,795	4,795	4,790
Special Education	82	82	83
Community Day School	<u>2</u>	<u>2</u>	<u>3</u>
Subtotal Elementary	<u>21,508</u>	<u>21,509</u>	<u>21,512</u>
Secondary:			
Ninth through Twelfth	7,756	7,756	7,676
Special Education	103	103	102
Community Day School	<u>10</u>	<u>9</u>	<u>9</u>
Subtotal Secondary	<u>7,869</u>	<u>7,868</u>	<u>7,787</u>
District Totals	<u><u>29,377</u></u>	<u><u>29,377</u></u>	<u><u>29,299</u></u>

\* Reflects revisions made by the District based on internal review of records.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2019

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<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>				
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	52,155	180	In Compliance
Grade 2	50,400	52,155	180	In Compliance
Grade 3	50,400	52,155	180	In Compliance
Grade 4	54,000	55,801	180	In Compliance
Grade 5	54,000	55,801	180	In Compliance
Grade 6	54,000	57,804	180	In Compliance
Grade 7	54,000	57,931	180	In Compliance
Grade 8	54,000	59,008	180	In Compliance
Grade 9	64,800	65,345	180	In Compliance
Grade 10	64,800	65,345	180	In Compliance
Grade 11	64,800	65,345	180	In Compliance
Grade 12	64,800	65,345	180	In Compliance

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See accompanying notes to  
 supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2019

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture - Passed through California</u>			
<u>Department of Education</u>			
	Child Nutrition Cluster:		
10.553	Child Nutrition: School Breakfast Program Basic	13525	\$ 83,895
10.553	Child Nutrition: School Breakfast Program	13526	1,649,908
10.555	Child Nutrition: National School Lunch Programs	13523	4,911,271
10.555	Child Nutrition: USDA Donated Foods	*	751,559
10.559	Child Nutrition: Summer Food Service	13004	<u>233,804</u>
	Subtotal Child Nutrition Cluster		<u>7,630,437</u>
	Child Nutrition: CCFP Programs:		
10.558	Child Nutrition: Child and Adult Care Food Program	13393	<u>488,003</u>
	Subtotal Child Nutrition: CCFP Programs		<u>488,003</u>
	Total U.S. Department of Agriculture		<u>8,118,440</u>
<u>U.S. Department of Defense - Passed through California</u>			
<u>Department of Education</u>			
12.357	J.R.O.T.C.	*	<u>152,029</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	15146	300,000
17.258	Workforce Investment Act Adult & Dislocated Worker	14346	<u>19,162</u>
	Total U.S. Department of Labor		<u>319,162</u>
<u>U.S. Department of Education - Passed through California Department</u>			
<u>of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	6,795,016
84.027	Special Ed: IDEA, Local Assistance, Part B Private School ISPs	10115	111,619
84.027A	Special Ed: IDEA Mental Health ADA Allocation	15197	348,533
84.173	Special Ed: IDEA, Preschool Grants, Part B	13430	235,965
84.173A	Special Ed: IDEA, Alternate Dispute Resolution	13007	15,865
84.173A	Special Ed: IDEA, Preschool Staff Development	13431	<u>2,151</u>
	Subtotal Special Education Cluster		<u>7,509,149</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California</u>			
<u>Department of Education (Continued)</u>			
	ESEA: Title III Programs:		
84.365	ESEA: Title III, Immigrant Education Program	15146	134,615
84.365	ESEA: Title III, English Learner Student Program	14346	<u>693,522</u>
	Subtotal ESEA: Title III Programs		<u>828,137</u>
	Adult Education Programs:		
84.002	Adult Education: Adult Secondary Education (Section 231)	13978	\$ 118,800
84.002A	Adult Education: Adult Basic Education and ESL (Section 231)	14508	197,381
84.002A	Adult Education: English Literacy and Civics Education - Local Grant	14109	<u>166,422</u>
	Subtotal Adult Education Programs		<u>482,603</u>
	Title I, Part A Programs:		
84.010	ESEA: Title I, Part A Basic Grants Low Income and Neglected	14329	5,985,083
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs	15438	<u>281,744</u>
	Subtotal Title I, Part A Programs:		<u>6,266,827</u>
	Career and Technical Education:		
84.048	Career and Technical Education Secondary Sec 131 (Carl Perkins Act)	14894	198,498
84.048	Career and Technical Education Adult Sec 132 (Carl Perkins Act)	14893	<u>17,297</u>
	Subtotal Career and Technical Education		<u>215,795</u>
	Federal Pell Grant Programs		
84.063	Federal Pell Grant Program - Student Financial Assistance Cluster	*	197,455
84.063	Adult Education- FOCUS	*	<u>18,532</u>
	Subtotal Federal Pell Grant Programs		<u>215,987</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2019

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California</u>			
<u>Department of Education (Continued)</u>			
84.181	Special Education: Grants for Infants and Families	23761	161,463
84.424	ESEA(ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	15396	224,425
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	<u>764,377</u>
	Total U.S. Department of Education		<u>16,668,763</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.600	Early Head Start	38-928-05	240,624
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	<u>663,035</u>
	Total U.S. Department of Health and Human Services		<u>903,659</u>
	Total Federal Programs		<u>\$ 26,162,053</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, 2019

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There were no adjustments proposed to any funds of the District

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See accompanying notes to  
supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2019  
(UNAUDITED)

	(Budgeted) 2020	2019	2018	2017
<b>General Fund</b>				
Revenues and other financing sources	<u>\$ 355,836,756</u>	<u>\$ 379,970,067</u>	<u>\$ 346,361,036</u>	<u>\$ 355,337,999</u>
Expenditures	363,201,015	387,781,795	377,619,356	362,277,908
Other uses and transfers out	<u>-</u>	<u>229,139</u>	<u>-</u>	<u>83,502</u>
Total outgo	<u>363,201,015</u>	<u>388,010,934</u>	<u>377,619,356</u>	<u>362,361,410</u>
Change in fund balance	<u>\$ (7,364,259)</u>	<u>\$ (8,040,867)</u>	<u>\$ (31,258,320)</u>	<u>\$ (7,023,411)</u>
Ending fund balance	<u>\$ 42,125,848</u>	<u>\$ 49,490,107</u>	<u>\$ 57,530,974</u>	<u>\$ 88,789,294</u>
Available reserves	<u>\$ 10,878,923</u>	<u>\$ 11,621,252</u>	<u>\$ 7,539,891</u>	<u>\$ 15,312,336</u>
Designated for economic uncertainties	<u>\$ 10,878,923</u>	<u>\$ 11,621,252</u>	<u>\$ 7,539,891</u>	<u>\$ 7,245,558</u>
Undesignated fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,066,778</u>
Available reserves as percentage of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>2.0%</u>	<u>4.2%</u>
Total long-term liabilities	<u>\$1,094,262,586</u>	<u>\$1,119,985,345</u>	<u>\$1,053,036,339</u>	<u>\$ 988,404,179</u>
Average daily attendance at P-2	<u>29,252</u>	<u>29,377</u>	<u>29,780</u>	<u>30,236</u>

The fund balance of the General Fund has decreased by \$46,322,598 over the past three years. The fiscal year 2019-2020 budget, as originally adopted, projects a decrease of \$7,364,259. For a district this size, the state recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating deficits in each of the past three years, and anticipates an operating deficit during the 2019-2020 fiscal year.

Total long-term liabilities have increased by \$131,581,166 over the past two years.

Average daily attendance has decreased by 859 over the past two years. An decrease of 125 ADA is anticipated during fiscal year 2019-2020.

See accompanying notes to  
supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2019

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

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See accompanying notes to  
supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2019

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - 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.

B - 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. Districts must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201. The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has exceeded their LCFF target funding.

C - 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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 28,275,447
Add:		
Medi-Cal Billing Option funds spent from prior year awards	93.778	95,976
Less:		
Qualified School Construction Bonds - Interest Subsidy	*	(1,668,432)
Child and Adult Care Food Program funds received in excess of expenditures	10.558	(519,057)
Adult Education Career Technology	*	(5,683)
CalServes Napa COE Project	*	<u>(16,198)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 26,162,053</u>

\* CFDA number not available.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2019

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**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

D - 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.

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides trend information on fund balances, revenues, expenditures and average daily attendance, as required by the State Controller's Office.

F - 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, 2019, 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**

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the State of California's *2018-19 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, 2019.

<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
K3 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:	
General requirements	Yes
After school	Yes
Before school	No, see below
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
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 Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

The District did not offer an Early Retirement Incentive Program in the current year; therefore, we did not perform steps a through d.

The District does not operate any Juvenile Court Schools; 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.

We did not perform any procedures related to After/Before School Education and Safety Program for Before School, because the District does not offer a Before School program.

The District did not report any average daily attendance for Independent Study-Course Based programs; therefore, we did not perform any procedures related to the program.

We did not perform any of the procedures related to charter schools because the District does not include any charter schools in this report.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Mount Diablo Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Mount Diablo Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Mount Diablo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Mount Diablo Unified School District's compliance.

### ***Opinion on Compliance with State Laws and Regulations***

In our opinion, 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, 2019.

## 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 *2018-19 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**

Crowe LLP

Sacramento, California  
December 12, 2019



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, 2019, and the related notes to the financial statements, which collectively comprise Mount Diablo Unified School District's financial statements, and have issued our report thereon dated December 12, 2019.

#### **Internal Control Over Financial Reporting**

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Diablo Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 over financial reporting 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*

Crowe LLP

Sacramento, California  
December 12, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education  
Mount Diablo Unified School District  
Concord, California

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

We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the *OMB 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, 2019. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

In our opinion, Mount Diablo Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

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

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

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

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

**Crowe LLP**

Crowe LLP

Sacramento, California  
December 12, 2019

## **FINDINGS AND RECOMMENDATIONS**

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2019

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's 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 auditor's 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>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559 84.365 84.010	Child Nutrition Cluster ESEA: Title III Programs ESEA: Title I, Part A Basic Grants

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 784,862

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**STATE AWARDS**

Type of auditor's report issued on compliance for  
state programs: Unmodified

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2019

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p><b>2018-001</b> <u>Condition:</u> At various school sites selected for testing the following issues were noted:</p> <ul style="list-style-type: none"><li>• For deposits made to the Associated Student Body (ASB), detailed schedules were not attached to deposit slips to indicating the number of items were sold and the price per item.</li><li>• Receipts are not issued from the ASB secretary to the individual depositing cash from sales or other events.</li><li>• Cash and checks held by the ASB from events or other activities are not deposited to the respective bank accounts on a consistent, timely basis.</li><li>• No formal record is maintained to track receipt books issued to teachers by the ASB.</li><li>• Fundraising activities are not consistently submitted to the governing board for approval.</li></ul> <p><u>Recommendations:</u> School sites should implement the proper control procedures in order to protect ASB funds from misappropriation, as follows:</p> <ul style="list-style-type: none"><li>• At all times, deposits made to the ASB office should be accompanied by a detailed schedule identifying the number of items sold and the price for each item, arriving at a total amount which agrees to the deposited cash or checks.</li><li>• A receipt should be issued to the individual depositing cash to the ASB, preferably utilizing a carbon copy or other duplicate record so that both the ASB and individual depositing funds have a record of the amount turned in to the ASB.</li><li>• Deposits to the bank account should be completed on a regular and frequent basis so as to prevent significant amounts of cash from being maintained at the site level.</li><li>• All revenue producing activities should be approved by the appropriate three parties prior to conducting the event. This approval should be documented in writing and maintained with other records for the event.</li></ul>	Implemented.	