

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2021

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2021

CONTENTS

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL SECTION: | |
| BALANCE SHEET | 3 |
| STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE | 4 |
| NOTES TO FINANCIAL STATEMENTS | 5 |
| OTHER INDEPENDENT AUDITOR'S REPORT: | |
| 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 | 8 |
| FINDINGS AND RECOMMENDATIONS: | |
| SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS | 10 |

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 Mount Diablo Unified School District (the "District") Measure J General Obligation Bonds activity included in the Building Fund of the District as of and for the year ended June 30, 2021, and the related notes to the 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 an opinion 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 opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Diablo Unified School District's Measure J General Obligation Bonds activity as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present the financial activity and balances of the Measure J General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of Mount Diablo Unified School District, as of June 30, 2021, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Measure J General Obligation Bonds activity. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance for the Measure J General Obligation Bonds activity. 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 for the Measure J General Obligation Bonds activity.


Crowe LLP

Sacramento, California
January 28, 2022

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2021

ASSETS

| | |
|-------------------------------|----------------------|
| Cash and investments (Note 3) | \$ 18,498,841 |
| Due from other funds (Note 4) | <u>229,555</u> |
| Total assets | <u>\$ 18,728,396</u> |

FUND BALANCE

| | |
|------------------------------------|----------------------|
| Fund balance – restricted (Note 5) | <u>\$ 18,728,396</u> |
|------------------------------------|----------------------|

See accompanying notes to financial statements.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2021

| | |
|-----------------------------|----------------------|
| Revenues: | |
| Local sources | \$ <u>91,222</u> |
| Expenditures: | |
| Current: | |
| Materials and supplies | 1,010,161 |
| Professional services | 49,982 |
| Capital outlay | <u>2,493</u> |
| Total expenditures | <u>1,062,636</u> |
| Change in fund balance | <u>(971,414)</u> |
| Fund balance, July 1, 2020 | <u>19,699,810</u> |
| Fund balance, June 30, 2021 | <u>\$ 18,728,396</u> |

See accompanying notes to financial statements.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mount Diablo Unified School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the 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 (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: On November 6, 2018, the District's electorate approved the Measure J proposition (Measure J Bonds) to authorize the District to issue up to \$150,000,000 General Obligation Bonds. These financial statements include the activity and balances of the Measure J Bonds, only. The activities of the Measure J Bonds are recorded within the District's Building Fund. These financial statements are not intended to present the financial position and results of operations of Mount Diablo Unified School District as a whole.

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 measurement made, regardless of the measurement focus applied.

The basic 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: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the District's Board of Education must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

The District's Board of Education and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

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

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

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure J by at least 55% of the registered voters voting on the proposition at an election held on November 6, 2018, Mount Diablo Unified School District was authorized to issue and sell bonds of up to \$150,000,000 in aggregate principal amount.

Purpose of Bonds: The proceeds of the Measure J Bonds may be used for the projects described in the Measure J proposition language, which was written as follows:

“To improve and upgrade science, engineering, technology and vocational education classrooms; replace outdated plumbing /electrical wiring, upgrade alarm /emergency communication systems; improve student safety /campus security; and qualify for State matching funds, shall Mount Diablo Unified School District issue \$150 million of bonds with an estimated levy of \$15 per \$100,000 of assessed valuation, averaging \$15 million per year while bonds are outstanding, with legal rates, annual audits, independent oversight and local control?”

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Bond Project List: The Bond Project List, which is an integral part of the proposition, lists the specific projects the District proposes to finance with proceeds of the Measure J Bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed at individual campuses. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering and similar planning costs, construction management and customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. In addition, certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore, the Board of Education cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2021 consisted of Cash in County Treasury, totaling \$18,498,841, as well as Cash with Fiscal Agent totaling \$996.

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 cost basis.

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, 2021, the District had no significant interest rate risk related to cash and investments held.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
 MEASURE J GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2021, the District had no concentration of credit risk.

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.

NOTE 4 – INTERFUND ACTIVITIES

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. At June 30, 2021, a total of \$229,555 was due from the District's General Fund.

NOTE 5 – FUND BALANCE CLASSIFICATION

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 are nonspendable, restricted, committed, assigned and unassigned. At June 30, 2021, the entire fund balance of the Measure J Bonds is classified as restricted for the purposes authorized by the Measure J proposition.

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. The fund balance for Measure J is restricted for expenditures allowable under the bond authorization.

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

On November 6, 2018, the District voters authorized \$150 million in General Obligation Bonds Measure J for the purpose of financing the modernization and construction of school facilities within the District. The measure required a minimum 55% vote for passage. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include ensuring compliance with conditions of Measure J.

The following is a summary of outstanding general obligation bonds issued under the Measure J authorization:

| <u>Issuance</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Fiscal Year</u> | <u>Amount of Original Issuance</u> | <u>Outstanding July 1, 2020</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2021</u> |
|-----------------|----------------------|-------------------|-----------------------------|------------------------------------|---------------------------------|------------------------------|----------------------------------|
| Series A | 2.20% | 6/12/2019 | 2024 | <u>\$ 20,000,000</u> | <u>\$ 20,000,000</u> | <u>\$ 5,462,000</u> | <u>\$ 14,538,000</u> |

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 Mount Diablo Unified School District Measure J General Obligation Bonds activity included in the Building Fund of the District as of and for the year ended June 30, 2021, and the related notes to the financial statements and have issued our report thereon dated January 28, 2022.

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 Measure J General Obligation Bonds activity financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 the 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over 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 the Mount Diablo Unified School District Measure J General Obligation Bonds activity included in the Building Fund of the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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

Sacramento, California
January 28, 2022

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

No matters were reported.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
MEASURE J GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

No matters were reported.