

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
June 30, 2020

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 FINANCIAL STATEMENTS  
 WITH SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2020

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## 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, 2020, 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, 2020, 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 17, 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 56 to 61 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.

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(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021 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 the effectiveness of Mount Diablo Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Diablo Unified School District's internal control over financial reporting and compliance.



Crowe LLP

Sacramento, California  
February 8, 2021

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
 For the Fiscal Year Ended June 30, 2020

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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, 2020. 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 \$(31) million, or 11.4%.
- Governmental expenses were about \$464.4 million. Revenues were about \$433.4 million.
- The District acquired \$34.45 million of new capital assets during the year. These expenditures were incurred primarily from Measure C building projects.
- The District decreased its outstanding long-term debt by \$7.91 million. This was primarily due repayments of General Obligation bonds, Certificates of Participation (COP) pension liability totaling about 32.5 million. There was an increase in Other Post-Employment Benefits (OPEB) liability of \$24.6 million due increase in service cost, interest cost and changes in demographic data and eligible employees.
- Grades K-12 average daily attendance (ADA) decreased by 178 or 0.61%.

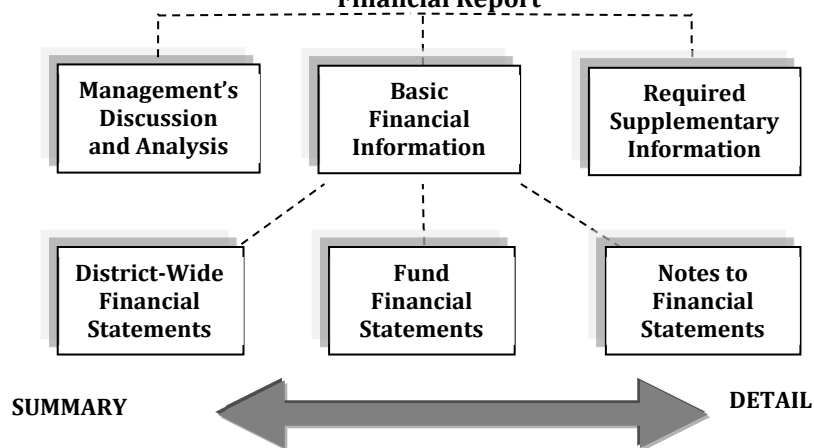
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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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

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



# MOUNT DIABLO UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

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### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

#### 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.
- 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.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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

**Net Position.** The District's combined net position was lower on June 30, 2020, than it was the year before – decreasing 11.4% to \$(302) million (See Table A-1).

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

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current assets	\$ 189,282,479	\$ 228,195,311	\$ (38,912,832)
Capital Assets	558,574,461	546,407,879	12,166,582
<b>Total Assets</b>	<b>747,856,940</b>	<b>774,603,190</b>	<b>(26,746,250)</b>
<b>Deferred outflows of resources</b>	<b>127,642,740</b>	<b>141,026,668</b>	<b>(13,383,928)</b>
<b>Liabilities</b>			
Current liabilities	59,349,775	26,697,232	32,652,543
Long-term liabilities	701,596,398	728,858,345	(27,261,947)
Net pension liability	379,179,000	391,127,000	(11,948,000)
<b>Total Liabilities</b>	<b>1,140,125,173</b>	<b>1,146,682,577</b>	<b>(6,557,404)</b>
<b>Deferred inflows of resources</b>	<b>37,981,682</b>	<b>24,372,576</b>	<b>13,609,106</b>
<b>Net position</b>			
Net investment in capital assets	144,394,228	134,792,453	9,601,775
Restricted	81,813,167	75,756,925	6,056,242
Unrestricted	(528,814,570)	(482,165,224)	(46,649,346)
<b>Total net position</b>	<b>\$ (302,607,175)</b>	<b>\$ (271,615,846)</b>	<b>\$ (30,991,329)</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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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 5.1% to \$433.4 million (See Table A-2). The increase is due primarily to increases in grants and contributions, state aid and categorical funding.

The total cost of all programs and services decreased 4.5% to \$464.4 million. The District's expenses are predominantly related to educating and caring for students, 79.0%. The purely administrative activities of the District accounted for just 3.4% of total costs. A significant contributor to the increase in costs was negotiated salary and benefit increases.

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 6,172,402	\$ 4,361,700	\$ 1,810,702
Operating grants and contributions	87,738,467	104,305,049	(16,566,582)
Capital grants and contribution	62,926	4,090,621	(4,027,695)
General Revenues:			-
Property taxes	200,045,559	190,011,926	10,033,633
Federal and state aid not restricted	132,784,390	141,997,596	(9,213,206)
Other general revenues	6,601,566	12,027,220	(5,425,654)
<b>Total Revenues</b>	<b>433,405,310</b>	<b>456,794,112</b>	<b>(23,388,802)</b>
<b>Expenses</b>			
Instruction-related	315,774,697	329,614,781	(13,840,084)
Pupil services	51,316,080	55,024,731	(3,708,651)
Administration	15,718,499	13,788,998	1,929,501
Plant services	57,281,633	62,738,488	(5,456,855)
All other activities	24,305,730	25,154,082	(848,352)
<b>Total Expenses</b>	<b>464,396,639</b>	<b>486,321,080</b>	<b>(21,924,441)</b>
Increase (decrease) in net position	\$ (30,991,329)	\$ (29,526,968)	\$ (1,464,361)

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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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 \$169.0 million, which is below last year's ending fund balance of \$191.3 million (See Table A-3). The primary cause of the decreased fund balance is due primarily to decrease grants and contributions from in federal, state and local governmental entities.

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

Fund	Fund Balances				June 30, 2020
	June 30, 2019	Revenues	Expenditures	Other Sources and (Uses)	
General Fund	\$ 49,490,107	\$366,757,310	\$367,813,462	\$ (318,099)	\$ 48,115,856
Adult Education Fund	2,333,485	5,622,273	5,797,546	(178,957)	1,979,255
Cafeteria Fund	4,565,327	10,418,484	11,040,680	497,056	4,440,187
Building Fund	85,418,350	890,837	28,181,910	-	58,127,277
Capital Facilities Fund	11,219,848	1,965,838	236,473	-	12,949,213
County School Facilities Fund	3,784,333	62,925	362,973		3,484,285
Capital Outlay Fund for Blended Component Units	2,874,514	1,289,668	2,450,377		1,713,805
Bond Interest and Redemption Fund	31,577,765	44,808,733	38,211,679		38,174,819
	<u>\$ 191,263,729</u>	<u>\$ 431,816,068</u>	<u>\$ 454,095,100</u>	<u>\$ -</u>	<u>\$ 168,984,697</u>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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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 \$11.32 million primarily to state and local budget actions.
- Salaries and benefits costs – decreased \$6.55 million due to vacancies, as positions were not filled, salaries and benefits are adjusted accordingly.
- Other non-personnel expenditures – increased \$21.74 million due to increase in supplies to serve distance learning purposes due to COVID-19.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$11.81 million, the actual results for the year show that expenditures exceeded revenues by roughly \$1.06 million. Actual revenues were \$173,687 more than anticipated, and expenditures were \$13.11 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2019-20 the District had invested \$34.4 million in new capital assets, related to ongoing expenditures related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was nearly \$22.3 million.

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

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
Land	\$ 14,436,462	\$ 14,436,462	\$ -
Improvement	79,292,199	83,351,567	(4,059,368)
Building	425,145,465	429,102,551	(3,957,086)
Equipment	4,235,326	5,348,578	(1,113,252)
Construction in progress	35,465,009	14,168,721	21,296,288
<b>Total</b>	<b>\$ 558,574,461</b>	<b>\$ 546,407,879</b>	<b>\$ 12,166,582</b>

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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

**Long-Term Debt**

At year-end the District had \$1.11 billion in long-term debt – a decrease of 0.71% 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**

	<u>Governmental Activities</u>		<b>Variance</b>
	<u>2020</u>	<u>2019</u>	<b>Increase (Decrease)</b>
General Obligation bonds	\$ 492,860,178	\$ 511,464,353	\$ (18,604,175)
Construction loan	3,883,672	3,921,981	(38,309)
Certificates of Participation	18,435,000	20,000,000	(1,565,000)
Capital leases	165,149	620,803	(455,654)
Compensated absences	4,127,319	4,020,205	107,114
Net Pension Liability	379,179,000	391,127,000	(11,948,000)
Other postemployment benefits	213,427,260	188,831,003	24,596,257
<b>Total</b>	<b>\$ 1,112,077,578</b>	<b>\$ 1,119,985,345</b>	<b>\$ (7,907,767)</b>

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

The Governor signed the 2020-21 *Budget Act* and other budget-related bills on June 26, 2020.

**Proposition 98**

**Overview**

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

***Proposition 98 Establishes Minimum Spending Level***

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

The COVID-19 Recession has heavily impacted the economy and the state's General Fund revenues, creating a parallel negative impact on the state's K-14 Proposition 98 Guarantee. The Budget estimates Proposition 98 levels of \$78.5 billion, \$77.7 billion, and \$70.9 billion in 2018-19, 2019-20, and 2020-21. For K-12 schools, this results in Proposition 98 per pupil spending of \$10,654 in 2020-21—a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources decreased by approximately \$542 per pupil to \$16,881.

To help mitigate the negative impacts of the state's revenue decline on funding for K-12 schools and California Community Colleges, the Budget includes the following:

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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

**Proposition 98 (continued)**

**DEFERRALS**

The COVID-19 Recession requires \$1.9 billion of Local Control Funding Formula (LCFF) apportionment deferrals in 2019-20, growing to \$11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years; the Budget suspends the statutory LCFF cost-of-living adjustment in 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in 2020-21 if the federal government provides sufficient funding that can be used for this purpose.

**LEARNING LOSS MITIGATION**

The Budget includes a one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 General Fund, and \$355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures.

Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs. The funds are intended to track and mitigate the inequitable impact that the COVID-19 pandemic has had on different student populations, including low-income students and students with disabilities. Specifically, funds will be allocated in the following manner:

- \$2.9 billion based on the LCFF supplemental and concentration grant allocation.
- \$1.5 billion based on number of students with exceptional needs.
- \$979.8 million based on total LCFF allocation.

Funds may be used for:

- Extending the instructional school year, including an earlier start date, by increasing the number of instructional minutes or days.
- Providing additional academic services for pupils, including diagnostic assessments of student learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices and connectivity for the provision of in-classroom and distance learning.
- Professional development opportunities to help teachers and parents support pupils in distance-learning contexts; access to school breakfast and lunch programs; or programs to address student trauma and social-emotional learning.

**SUPPLEMENTAL APPROPRIATIONS**

In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level (Test 2), by a total of approximately \$12.4 billion. To accelerate the recovery from this funding reduction, the Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of General Fund revenues per year, up to a cumulative total of \$12.4 billion. This appropriation will accelerate growth in the Guarantee, which the Administration proposes to increase as a share of the General Fund.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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

**Proposition 98 (continued)**

Currently, Proposition 98 guarantees that K-14 schools receive approximately 38 percent of the General Fund in Test 1 years. The Budget increases this share of funding to 40 percent by 2023-24.

**REVISED CALPERS AND CALSTRS CONTRIBUTIONS**

To provide local educational agencies with increased fiscal relief, the Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to CalSTRS and CalPERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will further reduce the CalSTRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The CalPERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

**FEDERAL FUNDS**

In addition to the federal Coronavirus Relief Fund and Governor's Emergency Education Relief Fund allocated to K-12 education above, the Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds that California was recently awarded. Of this amount, 90 percent (\$1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs. The remaining 10 percent (\$164.7 million) is available for COVID-19 related state-level activities, as follows:

- \$112.2 million to provide up to \$0.75 per meal for local educational agencies participating in the National School Lunch Program, School Breakfast Program, Seamless Summer Option, or Summer Food Service Program and serving meals between March 2020 and August 2020 due to physical school closures caused by the COVID-19 pandemic. These funds will enable local educational agencies to address food insecurity in their communities, especially for students and families who rely on school meals.
- \$45 million for grants to local educational agencies, including county offices of education, to coordinate or expand community schools to increase access to health, mental health, and social service supports for high-needs students. These funds will enable improved delivery of mental health and social-emotionally supportive services for students experiencing the stress, anxiety, and trauma caused by the COVID-19 pandemic.
- \$6 million for the University of California Subject Matter Projects to provide educator professional development for providing high-quality distance learning and addressing learning loss in mathematics, science, and English language arts due to the COVID-19 pandemic.
- \$1.5 million for the Department of Education for state operations costs associated with the COVID-19 pandemic.

**TEMPORARY REVENUE INCREASES**

The Budget proposes the temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. This, along with other tax changes, generates a net \$4.3 billion in General Fund revenues and approximately \$1.6 billion in benefit to the Proposition 98 Guarantee.



**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Proposition 98 (continued)**

**SPECIAL EDUCATION**

The Budget increases special education resources and creates new mechanisms to improve special education financing, programs, and student outcomes. Specifically, the Budget increases special education base rates to \$625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides \$100 million to increase funding for students with low-incidence disabilities.

The Budget also includes: (1) \$15 million federal Individuals with Disabilities Education Act (IDEA) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, (2) \$8.6 million federal IDEA funds to assist local educational agencies with developing regional alternative dispute resolution services and statewide mediation services, and (3) \$1.1 million federal IDEA funds for a study of the current special education governance and accountability structure, as well as three workgroups to create a statewide Individualized Education Program template, provide recommendations on alternative pathways to a diploma for students with disabilities, and study the costs of out-of-home care.

**AVERAGE DAILY ATTENDANCE**

Since the beginning of the COVID-19 pandemic in early March, local educational agencies across the state closed for classroom instruction, transitioning students and teachers to distance learning models. The loss of classroom-based instruction has had unprecedented impacts on students and families, especially the most vulnerable students.

To help minimize additional learning loss related to COVID-19, the budget presumes that local educational agencies should transition back to providing in-classroom instruction in the 2020-21 school year. However, if local or state public health official orders necessitate a school closure, local educational agencies will need flexibility to provide distance learning. To ensure funding stability regardless of the instructional model, the Budget includes a hold harmless for the average daily attendance used to calculate school funding for all local educational agencies. Additionally, the Budget includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

Additionally, the Budget provides \$750,000 one-time Proposition 98 General Fund for the Sacramento County Office of Education to develop distance learning curriculum and instructional guidance for mathematics, English language arts, and English language development, for adoption by the State Board of Education by May 31, 2021.

**2020-21 LEARNING CONTINUITY AND ATTENDANCE PLAN**

In April, the Governor issued Executive Order N-56-20, which allowed local educational agencies to submit local control and accountability plans, normally due July 1, 2020, by December 15, 2020, in recognition of the challenges that local educational agencies would have faced in completing the plans during the COVID-19 pandemic this spring. Federal funds provided to schools for COVID-19 must be expended by local educational agencies on an accelerated timeline. In order to ensure transparency around the expenditures of these new federal funds, and in alignment with new flexibilities related to distance learning, the Budget replaces the December local control and accountability plan with a Learning Continuity and Attendance Plan, to be completed by September 30, 2020.

The Budget requires the Superintendent of Public Instruction, in consultation with the executive director of the State Board of Education, to develop the template for the Learning Continuity and Attendance Plan by August 1, 2020, and requires the template to include all of the following:

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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

**Proposition 98 (continued)**

- A description of how the local educational agency will provide continuity of learning during the COVID-19 pandemic and address all of the following:
  - Distance learning
  - Learning loss
  - Mental health and social-emotional well-being
  - Professional development
  - Pupil engagement and outreach
  - School nutrition
- Local educational agency expenditures related to addressing the impacts of the COVID-19 pandemic.
- How local educational agencies are increasing or improving services in proportion to funds generated on the basis of the number and concentration of English learners, youth in foster care, and low-income students pursuant to the local control funding formula.

In adopting the Learning Continuity and Attendance Plan, local educational agencies must consult with stakeholders, solicit stakeholder input, and hold public hearings on the plan.

**SCHOOL POLICING**

Schools serve a foundational role in the social development of students. This development can be advanced or hindered by the presence of police officers on school campuses. To better promote student mental health, restorative justice, and social-emotional well-being, state and local leaders must evaluate opportunities for improvement in school safety infrastructure.

To this end, the Budget includes \$200,000 one-time non-Proposition 98 General Fund for the creation of a Young People's Task Force, whose members can speak to the lived reality of school policing and will inform changes in policy, contingent on the enactment of future legislation. The Budget also includes intent language for the Legislature to evaluate the presence of law enforcement on school campuses and consider reforms informed by local needs to improve student safety.

**EMPLOYEE PROTECTIONS**

To ensure the continuity of employment for essential school staff during the COVID-19 pandemic, the Budget includes the following:

- Suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff.
- Suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021.

The Budget also includes the intent of the Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in the 2020-21 fiscal year.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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

**Proposition 98 (continued)**

**Other Significant Adjustments**

- **Classified School Employees Summer Assistance Program**—An increase of \$60 million Proposition 98 General Fund to provide a match of state funds for participating classified employees to be paid during the summer recess period.
- **Department of Education State Operations**—A total increase of \$436,000 non-Proposition 98 General Fund for the following:
  - \$336,000 ongoing non-Proposition 98 General Fund for the School Fiscal Services Division for workload associated with deferrals and average daily attendance changes.
  - \$100,000 one-time non-Proposition 98 General Fund for the Department of Education to develop a template for the Learning Continuity and Attendance Plan in consultation with the executive director of the State Board of Education.

**EARLY LEARNING AND CARE PROGRAMS**

Investing in early learning and care supports the success of children and families of color, the majority of people served by these programs. The Budget preserves funding for early learning and care programs to the greatest extent possible, given the constraints of the COVID-19 Recession. Access, reimbursement rate levels, and quality investments are all maintained or grown, with a specific focus on serving the children of income-eligible workers essential to the fight against COVID-19.

**PROTECTING ESSENTIAL SERVICES**

To support access for families and provide stable funding for early learning and care programs and providers, the Budget:

- Maintains early learning and care provider reimbursement rates at 2019-20 levels.
- Eliminates the application of negative statutory growth adjustments for early learning and care programs.
- Provides a hold harmless provision in 2020-21 for providers that contract directly with the Department of Education.
- In 2020-21, provides reimbursement at a child's maximum certified level of need for all providers accepting vouchers.

**CARES ACT FUNDING FOR CHILD CARE**

California received \$350.3 million through the federal CARES Act for COVID-19 related child care activities. To maximize the benefits of these funds to providers and families, the Budget includes the following expenditure plan:

- \$144.3 million for state costs associated with SB 89 expenditures, family fee waivers, and provider payment protection.

**MOUNT DIABLO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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

**Proposition 98 (continued)**

- \$125 million for voucher provider hold harmless and stipends.
  - Up to \$62.5 million to fund providers accepting vouchers at the maximum certified level of need.
  - At least \$62.5 million for one-time stipends for providers accepting vouchers that offer care during the COVID-19 pandemic.
- \$73 million to continue care for at-risk children and essential workers.
- \$8 million to extend family fee waivers until June 30, 2020.

**FUTURE FEDERAL COVID-19 FUNDS FOR CHILD CARE**

To allow for the quick deployment of potential future federal COVID-19 funds for child care, the Budget includes language allowing up to \$300 million of such funds to be allocated by the following schedule:

- \$150 million to extend access for families being served through limited-term subsidies and expand access for unserved, eligible families.
- \$125 million to provide limited-term stipends for state-subsidized child care providers offering care during the COVID-19 pandemic.
- \$25 million to assist licensed child care providers with costs to re-open child care facilities closed due to the COVID-19 pandemic, and to supplement unfunded costs caused by low attendance or temporary closures due to the COVID-19 pandemic.

**SHIFT OF CHILD CARE PROGRAMS TO THE DEPARTMENT OF SOCIAL SERVICES**

To promote a high-quality, affordable, and unified early childhood system, the Budget includes \$2.3 million General Fund in 2020-21 to transition the existing child care and child development programs from the Department of Education to the Department of Social Services. This will align all child care programs within a single department in state government and will ease the administration of collective bargaining commencing later this year.

**Other Significant Adjustments**

- \$9.3 million one-time federal funds to develop and implement an early learning and care data system.
- A decrease in new federal Child Care and Development Block Grant funding available for child care vouchers of \$6 million, bringing the total allocation for increased access in the Alternative Payment Program from \$53.3 million to \$47.2 million. Additionally, the Budget specifies that first priority for these funds will be to extend subsidized care for income-eligible essential worker families and at-risk children from a limited-term to an ongoing basis.

**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, 2020

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 163,655,777
Receivables	25,205,549
Stores inventory	421,153
Non-depreciable capital assets (Note 4)	49,901,471
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>508,672,990</u>
Total assets	<u>747,856,940</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred outflows of resources - pensions (Notes 8 and 9)	102,660,112
Deferred outflows of resources - OPEB (Note 7)	19,027,058
Deferred loss from refunding of debt	<u>5,955,570</u>
Total deferred outflows	<u>127,642,740</u>
<b>LIABILITIES</b>	
Accounts payable	26,911,397
Unearned revenue	1,136,198
Long-term liabilities (Note 5):	
Due within one year	31,302,180
Due after one year	<u>1,080,775,398</u>
Total liabilities	<u>1,140,125,173</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 8 and 9)	37,001,000
Deferred inflows of resources - OPEB (Note 7)	<u>980,682</u>
Total deferred inflows	<u>37,981,682</u>
<b>NET POSITION</b>	
Net investment in capital assets	144,394,228
Restricted:	
Legally restricted programs	25,491,045
Capital projects	18,147,303
Debt service	38,174,819
Unrestricted	<u>(528,814,570)</u>
Total net position	<u>\$ (302,607,175)</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, 2020

		Program Revenues			Net (Expense) Revenues and Change in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental activities:					
Instruction	\$ 264,780,052	\$ 3,271,246	\$ 59,840,814	\$ 62,926	\$ (201,605,066)
Instruction-related services:					
Supervision of instruction	17,303,608	151,103	5,785,050	-	(11,367,455)
Instructional library, media and technology	4,363,038	15,865	456,556	-	(3,890,617)
School site administration	29,327,999	18,811	2,830,225	-	(26,478,963)
Pupil services:					
Home-to-school transportation	11,200,910	832	44,581	-	(11,155,497)
Food services	11,914,316	2,128,372	7,957,242	-	(1,828,702)
All other pupil services	28,200,854	304,048	8,037,721	-	(19,859,085)
General administration:					
Data processing	3,521,464	429	1,839	-	(3,519,196)
All other general administration	12,197,035	132,634	1,722,194	-	(10,342,207)
Plant services	57,281,633	21,381	197,176	-	(57,063,076)
Ancillary services	1,601,407	69,335	351,239	-	(1,180,833)
Community services	1,354	21	1,043	-	(290)
Interest on long-term liabilities	20,719,558	-	-	-	(20,719,558)
Other outgo	1,983,411	58,325	512,787	-	(1,412,299)
	<u>\$ 464,396,639</u>	<u>\$ 6,172,402</u>	<u>\$ 87,738,467</u>	<u>\$ 62,926</u>	<u>(370,422,844)</u>
 Total governmental activities					
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					156,201,814
Taxes levied for debt service					42,481,344
Taxes levied for other specific purposes					1,362,401
Federal and state aid not restricted to specific purposes					132,784,390
Interest and investment earnings					2,543,556
Miscellaneous					4,058,010
Total general revenues					339,431,515
Change in net position					(30,991,329)
Net position, July 1, 2019					(271,615,846)
Net position, June 30, 2020					\$ (302,607,175)

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020

	<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	\$ 41,739,103	\$ 43,290,990	\$ 38,174,819	\$ 17,872,241	\$ 141,077,153
Cash in banks	15,713	-	-	1,288,279	1,303,992
Collections awaiting deposit	-	-	-	8,864	8,864
Cash in revolving cash account	305,000	-	-	-	305,000
Cash with fiscal agent	26,221	17,271,095	-	-	17,297,316
Investments	1,588,704	-	-	2,074,748	3,663,452
Accounts receivable	22,380,879	-	-	1,575,131	23,956,010
Due from other funds	36,926	-	-	2,110,303	2,147,229
Stores inventory	415,121	-	-	6,032	421,153
	<u>41,739,103</u>	<u>43,290,990</u>	<u>38,174,819</u>	<u>17,872,241</u>	<u>141,077,153</u>
Total assets	<u>\$ 66,507,667</u>	<u>\$ 60,562,085</u>	<u>\$ 38,174,819</u>	<u>\$ 24,935,598</u>	<u>\$ 190,180,169</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 16,396,027	\$ 2,434,808	\$ -	\$ 330,749	\$ 19,161,584
Unearned revenue	1,135,020	-	-	1,178	1,136,198
Due to other funds	860,764	-	-	36,926	897,690
	<u>16,396,027</u>	<u>2,434,808</u>	<u>-</u>	<u>330,749</u>	<u>19,161,584</u>
Total liabilities	<u>18,391,811</u>	<u>2,434,808</u>	<u>-</u>	<u>368,853</u>	<u>21,195,472</u>
Fund balances:					
Nonspendable	720,121	-	-	6,032	726,153
Restricted	19,071,604	58,127,277	38,174,819	24,560,713	139,934,413
Assigned	18,096,026	-	-	-	18,096,026
Unassigned	10,228,105	-	-	-	10,228,105
	<u>720,121</u>	<u>58,127,277</u>	<u>38,174,819</u>	<u>24,560,713</u>	<u>139,934,413</u>
Total fund balances	<u>48,115,856</u>	<u>58,127,277</u>	<u>38,174,819</u>	<u>24,566,745</u>	<u>168,984,697</u>
Total liabilities and fund balances	<u>\$ 66,507,667</u>	<u>\$ 60,562,085</u>	<u>\$ 38,174,819</u>	<u>\$ 24,935,598</u>	<u>\$ 190,180,169</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, 2020

Total fund balances - Governmental Funds \$ 168,984,697

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 \$925,229,625 and the accumulated depreciation is \$366,655,164 (Note 4). 558,574,461

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2020 consisted of (Note 5):

General Obligation Bonds	\$ (429,855,218)	
Accreted interest	(37,080,919)	
Unamortized premiums	(25,924,041)	
Construction loan	(3,883,672)	
Certificates of Participation	(18,435,000)	
Capitalized leases	(165,149)	
Total OPEB liability (Note 7)	(213,427,260)	
Net pension liability (Notes 8 and 9)	(379,179,000)	
Compensated absences	<u>(4,127,319)</u>	
		(1,112,077,578)

Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. (7,749,813)

In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refunding resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources. 5,955,570

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	19,027,058	
Deferred inflows of resources relating to OPEB	(980,682)	
Deferred outflows of resources relating to pensions	102,660,112	
Deferred inflows of resources relating to pensions	<u>(37,001,000)</u>	
		<u>83,705,488</u>

Total net position - governmental activities \$ (302,607,175)

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, 2020

	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	\$ 133,646,077	\$ -	\$ -	\$ -	\$ 133,646,077
Local sources	<u>142,996,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,996,697</u>
Total LCFF	<u>276,642,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,642,774</u>
Federal sources	16,574,473	-	1,954,384	8,232,581	26,761,438
Other state sources	54,711,006	-	274,109	4,478,341	59,463,456
Other local sources	<u>18,829,057</u>	<u>890,837</u>	<u>42,580,240</u>	<u>6,648,266</u>	<u>68,948,400</u>
Total revenues	<u>366,757,310</u>	<u>890,837</u>	<u>44,808,733</u>	<u>19,359,188</u>	<u>431,816,068</u>
<b>Expenditures:</b>					
Current:					
Certificated salaries	155,797,743	-	-	2,507,087	158,304,830
Classified salaries	53,204,857	633,815	-	6,076,100	59,914,772
Employee benefits	102,747,930	259,530	-	3,949,831	106,957,291
Books and supplies	8,877,106	8,482	-	4,625,233	13,510,821
Services and other operating expenditures	39,076,179	3,948,921	-	1,012,660	44,037,760
Other outgo	1,983,411	-	-	-	1,983,411
Capital outlay	3,124,809	23,331,162	-	1,678,829	28,134,800
Debt service:					
Principal retirement	2,020,654	-	20,741,782	38,309	22,800,745
Interest	<u>980,773</u>	<u>-</u>	<u>17,469,897</u>	<u>-</u>	<u>18,450,670</u>
Total expenditures	<u>367,813,462</u>	<u>28,181,910</u>	<u>38,211,679</u>	<u>19,888,049</u>	<u>454,095,100</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,056,152)</u>	<u>(27,291,073)</u>	<u>6,597,054</u>	<u>(528,861)</u>	<u>(22,279,032)</u>
<b>Other financing sources (uses):</b>					
Transfers in	542,665	-	-	860,764	1,403,429
Transfers out	<u>(860,764)</u>	<u>-</u>	<u>-</u>	<u>(542,665)</u>	<u>(1,403,429)</u>
Total other financing sources (uses)	<u>(318,099)</u>	<u>-</u>	<u>-</u>	<u>318,099</u>	<u>-</u>
Net change in fund balances	(1,374,251)	(27,291,073)	6,597,054	(210,762)	(22,279,032)
Fund balances, July 1, 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>
Fund balances, June 30, 2020	<u>\$ 48,115,856</u>	<u>\$ 58,127,277</u>	<u>\$ 38,174,819</u>	<u>\$ 24,566,745</u>	<u>\$ 168,984,697</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, 2020

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Net change in fund balances - Total Governmental Funds	\$ (22,279,032)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Acquisition of capital assets is an expenditure in governmental funds, but increases capital assets in the Statement of Net Position (Note 4).	34,446,346
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(22,279,764)
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).	22,800,745
In the governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issues at a premium is amortized as interest over the life of the debt (Note 5).	2,899,317
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(5,036,924)
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.	(1,793,612)
In the 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 the government 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:	(23,605,266)
In the government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between accrual-basis OPEB costs and actual employer contributions was:	(15,170,282)
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>(107,114)</u>
Change in net position of governmental activities	<u>\$ (30,991,329)</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, 2020

	<u>Trust Fund</u>	<u>Agency Funds</u>	
	Private- Purpose <u>Trust Fund</u>	Debt Service Fund for Special Assessment <u>Debt</u>	Student Body Fund
<b>ASSETS</b>			
Cash and investments (Note 2):			
Cash in County Treasury	\$ 58,993	\$ 7,828,052	\$ -
Cash on hand and in banks	-	-	889,104
Cash with fiscal agent/trustee	-	94,983	-
Total assets	58,993	\$ 7,923,035	\$ 889,104
<b>LIABILITIES</b>			
Due to bondholders	-	\$ 6,673,496	\$ -
Due to District	-	1,249,539	-
Due to student groups	-	-	889,104
Total liabilities	-	\$ 7,923,035	\$ 889,104
<b>NET POSITION</b>			
Restricted for private purposes	\$ 58,993		

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, 2020

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	Private- Purpose <u>Trust Fund</u>
Additions:	
Local sources - interest	\$ 1,016
Net position, July 1, 2019	<u>57,977</u>
Net position, June 30, 2020	<u>\$ 58,993</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, 2020

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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, 2020

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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.

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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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, 2020.

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

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

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

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(Continued)



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

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

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	\$ 75,887,435	\$ 26,772,677	\$ 102,660,112
Deferred inflows of resources	<u>\$ 32,200,000</u>	<u>\$ 4,801,000</u>	<u>\$ 37,001,000</u>
Net pension liability	<u>\$ 261,393,000</u>	<u>\$ 117,786,000</u>	<u>\$ 379,179,000</u>
Pension expense	<u>\$ 57,970,010</u>	<u>\$ 25,561,534</u>	<u>\$ 83,531,544</u>

Compensated Absences: Compensated absences benefits totaling \$4,127,319 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

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

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

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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, 2020, 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, 2020, no such designation has occurred.

**E - Unassigned Fund Balance:**

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

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

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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, 2020, 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, 2020, 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, 2020

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**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2020 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 141,077,153	\$ 7,887,045
Local Agency Investment Fund	3,663,452	-
Deposits:		
Cash on hand and in banks	1,303,992	889,104
Cash in revolving fund	305,000	-
Cash awaiting deposit	8,864	-
Investments:		
Cash with fiscal agent	17,297,316	94,983
Total	\$ 163,655,777	\$ 8,871,132

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, 2020, this fund was yielding approximately 1.47% 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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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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, 2020, the carrying amount of the District's accounts totaled \$2,506,960 and the bank balances were \$2,447,116. The total uninsured bank balances at June 30, 2020 were \$1,947,116.

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, 2020, 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, 2020, 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, 2020 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	36,926	860,764
Non-Major Funds:		
Cafeteria	860,764	36,926
Capital Projects for Blended Component Units	1,249,539	-
Agency Fund:		
Debt Service Fund for Special Assessment Debt	-	1,249,539
	\$ 2,147,229	\$ 2,147,229

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**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, 2020 were as follows:

Transfer from the General Fund to the Cafeteria Fund to subsidize uncollectible student meal balances.	\$ 860,764
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	178,957
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>363,708</u>
	<u><u>\$ 1,403,429</u></u>

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2020 is shown below:

	Balance July 1, <u>2019</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2020</u>
Non-depreciable:				
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Construction in progress	14,168,721	33,844,668	(12,548,380)	35,465,009
Depreciable:				
Land improvements	117,196,466	1,895,215	-	119,091,681
Buildings	719,859,366	10,653,165	-	730,512,531
Equipment	<u>25,122,264</u>	<u>601,678</u>	<u>-</u>	<u>25,723,942</u>
Totals, at cost	<u>890,783,279</u>	<u>46,994,726</u>	<u>(12,548,380)</u>	<u>925,229,625</u>
Less accumulated depreciation:				
Land improvements	(33,844,899)	(5,954,584)	-	(39,799,483)
Buildings	(290,756,815)	(14,610,251)	-	(305,367,066)
Equipment	<u>(19,773,686)</u>	<u>(1,714,929)</u>	<u>-</u>	<u>(21,488,615)</u>
Total accumulated depreciation	<u>(344,375,400)</u>	<u>(22,279,764)</u>	<u>-</u>	<u>(366,655,164)</u>
Capital assets, net	<u>\$ 546,407,879</u>	<u>\$ 24,714,962</u>	<u>\$ (12,548,380)</u>	<u>\$ 558,574,461</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 10,883
Supervision of instruction	8,707
Pupil services	534,651
All other general administration	85,417
Plant services	<u>21,640,106</u>
Total depreciation expense	<u>\$ 22,279,764</u>

**NOTE 5 - LONG-TERM LIABILITIES**

General Obligation Bonds

<u>Bond</u>	<u>Issue Year</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2019</u>	<u>Issued Current Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2020</u>
<u>Measure C</u>								
Series A	2011	3.5 - 5.0%	2035	\$ 50,456,475	\$ 50,382,000	\$ -	\$ 26,782	\$ 50,355,218
Series B	2011	3.0 - 5.0%	2027	59,540,000	43,640,000	-	5,230,000	38,410,000
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	6,190,000	-	525,000	5,665,000
Series E	2012	3.0 - 5.0%	2037	149,995,000	135,450,000	-	1,200,000	134,250,000
Series F	2016	4.15 - 5.3%	2025	38,500,000	17,955,000	-	4,460,000	13,495,000
Series G	2017	1.0 - 5.0%	2031	38,500,000	37,795,000	-	895,000	36,900,000
<u>Refunding Bonds</u>								
2002 Series B	2011	3.0 - 5.0%	2023	43,700,000	25,355,000	-	4,660,000	20,695,000
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	48,665,000	-	1,290,000	47,375,000
2011 Refunding	2011	3.0 - 5.5%	2026	37,790,000	21,350,000	-	2,455,000	18,895,000
<u>Measure J</u>								
Series A	2019	2.20%	2024	20,000,000	20,000,000	-	-	20,000,000
				<u>\$ 544,035,057</u>	<u>\$ 450,597,000</u>	<u>\$ -</u>	<u>\$ 20,741,782</u>	<u>\$ 429,855,218</u>

Accreted Interest

<u>Series</u>	<u>Beginning</u>	<u>Accretion</u>	<u>Deductions</u>	<u>Total</u>
2010, Series A	<u>\$ 32,043,995</u>	<u>\$ 5,085,142</u>	<u>\$ 48,218</u>	<u>\$ 37,080,919</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

As of June 30, 2020 the outstanding General Obligation Bonds are scheduled to mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 26,590,603	\$ 16,968,544	\$ 43,559,147
2022	27,867,954	18,929,968	46,797,922
2023	30,077,402	18,054,771	48,132,173
2024	22,395,691	18,970,811	41,366,502
2025	24,126,577	18,311,222	42,437,799
2026-2030	140,684,230	85,226,717	225,910,947
2031-2035	109,585,633	53,737,659	163,323,292
2036-2038	<u>48,527,128</u>	<u>7,348,292</u>	<u>55,875,420</u>
	<u>\$ 429,855,218</u>	<u>\$ 237,547,984</u>	<u>\$ 667,403,202</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, 2020, is \$3,883,672.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,360,000	391,750	2,751,750
2026-2027	<u>6,655,000</u>	<u>331,125</u>	<u>6,986,125</u>
	<u>\$ 18,435,000</u>	<u>\$ 3,521,875</u>	<u>\$ 21,956,875</u>

Capitalized Leases: The District has acquired school buses under long-term lease purchase agreements. As a result, the District has included in Equipment, capital assets with a historical cost of \$2,983,632 and accumulated depreciation of \$2,268,149 for assets acquired under capitalized leases. The outstanding balance of capitalized lease obligations was \$165,149, the total amount of which is payable during the year ended June 30, 2021.

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(Continued)



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

A schedule of changes in long-term liabilities for the year ended June 30, 2020 is shown below:

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2020</u>	Amounts Due Within <u>One Year</u>
<u>Debt:</u>					
General Obligation Bonds	\$ 450,597,000	\$ -	\$20,741,782	\$ 429,855,218	\$26,590,603
Accreted interest	32,043,995	5,085,142	48,218	37,080,919	61,397
Unamortized premiums	28,823,358	-	2,899,317	25,924,041	2,915,031
Construction loan	3,921,981	-	38,309	3,883,672	-
Certificates of participation	20,000,000	-	1,565,000	18,435,000	1,570,000
Capitalized leases	620,803	-	455,654	165,149	165,149
<u>Other Long-Term Liabilities:</u>					
Total OPEB liability (Note 7)	188,831,003	24,596,257	-	213,427,260	-
Net pension liability (Note 8 and 9)	391,127,000	-	11,948,000	379,179,000	-
Compensated absences	4,020,205	107,114	-	4,127,319	-
	<u>\$ 1,119,985,345</u>	<u>\$29,788,513</u>	<u>\$37,696,280</u>	<u>\$ 1,112,077,578</u>	<u>\$31,302,180</u>

Payments on General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the construction loan are made from the Capital Facilities Fund. Payments on capitalized leases are made from the General Fund. Payments on the COPS are reported as a pass-through in the General Fund, from excess special tax assessments received by the Debt Service Fund for Special Assessment Debt. Payments toward the net pension liability, total OPEB liability, and compensated absences are made from the fund for which the related employee worked.

Non-Obligatory Debt: Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$8,050,000 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in these financial statements.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2020 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 305,000	\$ -	\$ -	\$ -	\$ 305,000
Stores inventory	<u>415,121</u>	<u>-</u>	<u>-</u>	<u>6,032</u>	<u>421,153</u>
Subtotal nonspendable	<u>720,121</u>	<u>-</u>	<u>-</u>	<u>6,032</u>	<u>726,153</u>
Restricted:					
Legally restricted:					
Grants	19,071,604	-	-	-	19,071,604
Adult education operations		-	-	1,979,255	1,979,255
Cafeteria operations		-	-	4,434,155	4,434,155
Capital projects	-	58,127,277	-	18,147,303	76,274,580
Debt service	<u>-</u>	<u>-</u>	<u>38,174,819</u>	<u>-</u>	<u>38,174,819</u>
Subtotal restricted	<u>19,071,604</u>	<u>58,127,277</u>	<u>38,174,819</u>	<u>24,560,713</u>	<u>139,934,413</u>
Assigned:					
Reserved for anticipated deficit spending	<u>18,096,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,096,026</u>
Unassigned:					
Designated for economic uncertainty	<u>10,228,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,228,105</u>
Total fund balances	<u>\$ 48,115,856</u>	<u>\$ 58,127,277</u>	<u>\$ 38,174,819</u>	<u>\$ 24,566,745</u>	<u>\$ 168,984,697</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, 2020, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability, and the plan does not issue separate financial statements.

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

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

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

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

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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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, 2020:

	<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 \$6,884,164 for the year ended June 30, 2020. 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, 2020

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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, 2020, and was determined by an actuarial valuation as of June 30, 2019.

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>	2.66%.
<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, 2020

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**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 2.66%. The municipal bond rate was based on the week closest but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index, at the measurement date, as published by the Federal Reserve..

*Changes in Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	\$ <u>188,831,003</u>
Changes for the year:	
Service cost	12,768,210
Interest	6,241,950
Changes in assumptions	12,470,261
Benefit payments	<u>(6,884,164)</u>
Net change	<u>24,596,257</u>
Balance at June 30, 2020	\$ <u>213,427,260</u>

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 (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	<u>\$ 242,891,700</u>	<u>\$ 213,427,260</u>	<u>\$ 189,133,046</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 (6.50 - 5.00%)	1% Increase (7.50 - 6.00%)
Total OPEB liability	<u>\$ 180,896,302</u>	<u>\$ 213,427,260</u>	<u>\$ 255,020,386</u>

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**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, 2020, the District recognized OPEB expense of \$22,054,446. At June 30, 2020, 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	\$ 4,755,765	\$ -
Changes of assumptions	<u>14,271,293</u>	<u>980,682</u>
Total	<u>\$ 19,027,058</u>	<u>\$ 980,682</u>

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

Year Ending <u>June 30,</u>	
2021	\$ 3,044,286
2022	\$ 3,044,286
2023	\$ 3,044,286
2024	\$ 3,371,182
2025	\$ 1,385,585
Thereafter	\$ 4,156,751

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(Continued)

## 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.

#### *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 36 consecutive months of credited service.

#### *CalSTRS 2% at 62*

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

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

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(Continued)



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020 (AB 84), was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020–21 and 2.18% less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84.

A summary of statutory contribution rates and other sources of contributions to the DB 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 2019-20. 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 2019-20.

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

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

Pursuant to 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 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 2019-20 through fiscal year 2045-46 are summarized in the table below.

The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 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, 2019	8.25%	9.88%	18.13% <sup>(1)</sup>
July 01, 2020	8.25%	10.85%	19.10% <sup>(2)</sup>
July 01, 2021 to June 30, 2046	8.25%	(3)	(3)
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

- (1) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2019-20 by 1.03 percentage points pursuant to SB 90.
- (2) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2020-21 by 2.95 percentage points pursuant to SB 90 and AB84.
- (3) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$25,262,435 to the plan for the fiscal year ended June 30, 2020.

*State* – 10.328 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

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.

The state’s base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased 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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	AB 1469 Increase For 1990 Benefit <u>Structure</u>	<u>SBMA Funding</u> <sup>(1)</sup>	Total State Appropriation to <u>DB Program</u>
July 01, 2019	2.017%	5.811%	2.50%	10.328% <sup>(3)</sup>
July 01, 2020	2.017%	5.811% <sup>(2)</sup>	2.50%	10.328% <sup>(3)</sup>
July 01, 2021 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 1, 2046 and thereafter	2.017%	(5)	2.50%	(5)

- (1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.
- (2) In May 2020, the CalSTRS Board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020–21, thereby negating the board's rate increase of 0.5%.
- (3) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.
- (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, 2020, 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	\$ 261,393,000
State's proportionate share of the net pension liability associated with the District	<u>142,608,000</u>
Total	<u>\$ 404,001,000</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, the District's proportion was 0.289 percent, which was a decrease of 0.013 percent from its proportion measured as of June 30, 2018.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$57,970,010 and revenue of \$23,996,166 for support provided by the State. At June 30, 2020, 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	\$ 660,000	\$ 7,366,000
Changes of assumptions	33,061,000	-
Net differences between projected and actual earnings on investments	-	10,069,000
Changes in proportion and differences between district contributions and proportionate share of contributions	16,904,000	14,765,000
Contributions made subsequent to measurement date	<u>25,262,435</u>	<u>-</u>
Total	<u>\$ 75,887,435</u>	<u>\$ 32,200,000</u>

\$25,262,435 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ 6,919,400
2022	\$ (61,600)
2023	\$ 5,256,400
2024	\$ 10,027,066
2025	\$ (1,496,933)
2026	\$ (2,219,333)

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, 2019 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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

**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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
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.

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%	4.8%
Fixed Income	12	1.3
Real Estate	13	3.6
Private Equity	13	6.3
Absolute Return / Risk Mitigating Strategies	9	1.8
Inflation Sensitive	4	3.3
Cash / Liquidity	2	(0.4)

\* 20-year geometric average

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

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 <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District’s proportionate share of the net pension liability	<u>\$ 389,236,000</u>	<u>\$ 261,393,000</u>	<u>\$ 155,387,000</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.

**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-2019.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.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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, 2020 were as follows:

*Members* - The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2019-20.

*Employers* - The employer contribution rate was 19.72 percent of applicable member earnings.

The District contributed \$10,667,677 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$117,786,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 the District’s proportion was 0.404 percent, which was a decrease of 0.023 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$25,561,534. At June 30, 2020, 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	\$ 8,556,000	\$ -
Changes of assumptions	5,607,000	-
Net differences between projected and actual earnings on investments	-	1,092,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,942,000	3,709,000
Contributions made subsequent to measurement date	<u>10,667,677</u>	<u>-</u>
Total	<u>\$ 26,772,677</u>	<u>\$ 4,801,000</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

\$10,667,677 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2021	\$	10,158,833
2022	\$	980,833
2023	\$	(145,166)
2024	\$	309,500

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, 2019 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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
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

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, 2018 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.

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(Continued)



MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

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

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

\* 10-year geometric average

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

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

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

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+ 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, 2020

**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 (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 169,780,000	\$ 117,786,000	\$ 74,653,000

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 CSAC-EIA, SSICCC, and SPURR as of June 30, 2019 (the most recent audited information available):

	<u>CSAC-EIA</u>	<u>SSICCC</u>	<u>SPURR</u>
Total assets	\$ 965,769,045	\$ 10,903,949	\$ 14,492,893
Total deferred outflows	\$ 1,227,362	\$ -	\$ -
Total liabilities	\$ 766,369,209	\$ 761,419	\$ 8,982,171
Total deferred inflows	\$ 595,345	\$ -	\$ -
Net position	\$ 200,031,853	\$ 10,142,530	\$ 5,510,722
Total revenues	\$ 1,027,441,641	\$ 14,375,724	\$ 46,279,107
Total expenditures	\$ 949,980,382	\$ 14,094,606	\$ 46,839,506
Change in net position	\$ 77,461,259	\$ 281,118	\$ (560,399)

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)

**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, 2020, the District had approximately \$4.8 million in outstanding commitments on construction contracts.

**NOTE 12 – COVID-19 PANDEMIC IMPACT**

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

**REQUIRED SUPPLEMENTARY INFORMATION**

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 151,801,158	\$ 133,645,816	\$ 133,646,077	\$ 261
Local sources	<u>129,540,745</u>	<u>143,160,205</u>	<u>142,996,697</u>	<u>(163,508)</u>
Total LCFF	<u>281,341,903</u>	<u>276,806,021</u>	<u>276,642,774</u>	<u>(163,247)</u>
Federal sources	16,499,355	21,686,289	16,574,473	(5,111,816)
Other state sources	47,366,038	52,741,963	54,711,006	1,969,043
Other local sources	<u>10,059,211</u>	<u>15,349,350</u>	<u>18,829,057</u>	<u>3,479,707</u>
Total revenues	<u>355,266,507</u>	<u>366,583,623</u>	<u>366,757,310</u>	<u>173,687</u>
Expenditures:				
Current:				
Certificated salaries	156,896,207	156,961,269	155,797,743	1,163,526
Classified salaries	56,836,425	53,352,071	53,204,857	147,214
Employee benefits	101,791,025	98,659,924	102,747,930	(4,088,006)
Books and supplies	9,510,493	20,689,010	8,877,106	11,811,904
Contract services and operating expenditures	35,348,405	42,872,658	39,076,179	3,796,479
Other outgo	2,010,706	1,845,780	1,983,411	(137,631)
Capital outlay	320,025	3,537,742	3,124,809	412,933
Debt service:				
Principal Retirement	473,352	2,020,654	2,020,654	-
Interest	<u>14,377</u>	<u>980,773</u>	<u>980,773</u>	<u>-</u>
Total expenditures	<u>363,201,015</u>	<u>380,919,881</u>	<u>367,813,462</u>	<u>13,106,419</u>
Deficiency of revenues under expenditures	<u>(7,934,508)</u>	<u>(14,336,258)</u>	<u>(1,056,152)</u>	<u>13,280,106</u>
Other financing sources (uses):				
Transfers in	570,249	631,287	542,665	(88,622)
Transfers out	<u>-</u>	<u>(860,764)</u>	<u>(860,764)</u>	<u>-</u>
Total other financing sources (uses)	<u>570,249</u>	<u>(229,477)</u>	<u>(318,099)</u>	<u>(88,622)</u>
Change in fund balance	(7,364,259)	(14,565,735)	(1,374,251)	13,191,484
Fund balance, July 1, 2019	<u>49,490,107</u>	<u>49,490,107</u>	<u>49,490,107</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 42,125,848</u>	<u>\$ 34,924,372</u>	<u>\$ 48,115,856</u>	<u>\$ 13,191,484</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, 2020

	Last 10 Fiscal Years			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability				
Service cost	\$ 11,331,075	\$ 11,716,332	\$ 11,840,329	\$ 12,768,210
Interest	5,234,924	5,608,884	6,094,019	6,241,950
Change in assumptions	-	(1,961,364)	4,779,925	12,470,261
Difference in experience	-	-	7,133,647	-
Benefit payments	<u>(5,807,238)</u>	<u>(6,097,600)</u>	<u>(6,582,820)</u>	<u>(6,884,164)</u>
Net change in total OPEB Liability	10,758,761	9,266,252	23,265,100	24,596,257
Total OPEB liability, beginning of year	<u>145,540,890</u>	<u>156,299,651</u>	<u>165,565,903</u>	<u>188,831,003</u>
Total OPEB liability, end of year	<u>\$ 156,299,651</u>	<u>\$ 165,565,903</u>	<u>\$ 188,831,003</u>	<u>\$ 213,427,260</u>
Covered employee payroll	\$ 202,725,000	\$ 202,725,000	\$ 209,529,871	\$ 215,815,767
Total OPEB liability as a percentage of covered-employee payroll	77.1%	81.7%	90.1%	98.9%

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

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
For the Year Ended June 30, 2020

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

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
For the Year Ended June 30, 2020

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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>	<u>2020</u>
District's proportion of the net pension	0.389%	0.405%	0.396%	0.414%	0.427%	0.404%
District's proportionate share of the net pension liability	\$ 45,171,338	\$ 59,623,699	\$ 78,289,245	\$ 98,730,000	\$ 113,742,000	\$ 117,786,000
District's covered payroll	\$ 41,430,353	\$ 45,257,132	\$ 47,558,749	\$ 52,731,000	\$ 56,267,000	\$ 56,027,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	109.03%	131.74%	164.62%	187.23%	202.15%	210.23%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%

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, 2020

	State Teachers' Retirement Plan Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 11,692,875	\$ 14,708,705	\$ 19,673,538	\$ 23,182,949	\$ 25,474,844	\$ 25,262,435
Contributions in relation to the contractually required contribution	<u>(11,692,875)</u>	<u>(14,708,705)</u>	<u>(19,673,538)</u>	<u>(23,182,949)</u>	<u>(25,474,844)</u>	<u>(25,262,435)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 131,676,520	\$ 137,080,196	\$ 156,387,000	\$ 160,658,000	\$ 155,566,000	\$ 139,341,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*

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

All years prior to 2015 are not available.

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 5,327,217	\$ 5,634,285	\$ 7,324,363	\$ 8,738,265	\$ 10,119,534	\$ 10,667,677
Contributions in relation to the contractually required contribution	<u>(5,327,217)</u>	<u>(5,634,285)</u>	<u>(7,324,363)</u>	<u>(8,738,265)</u>	<u>(10,119,534)</u>	<u>(10,667,677)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,257,132	\$ 47,558,749	\$ 52,731,000	\$ 56,267,000	\$ 56,027,000	\$ 54,093,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
 June 30, 2020

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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 rates for the total OPEB liability were 3.40, 3.50, 3.15 and 2.66 percent for the June 30, 2017, 2018, 2019, and 2020 measurement dates, respectively.

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017 and 2018 measurement dates, respectively.

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

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

**SUPPLEMENTARY INFORMATION**

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 June 30, 2020

	Adult Education <u>Fund</u>	Cafeteria <u>Fund</u>	Capital Facilities <u>Fund</u>	County School Facilities <u>Fund</u>	Capital Projects for Blended Component Units <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 1,190,568	\$ 1,056,901	\$ 11,670,474	\$ 3,479,347	\$ 474,951	\$ 17,872,241
Cash in banks	-	1,288,279	-	-	-	1,288,279
Collections awaiting deposit	-	8,864	-	-	-	8,864
Investments	4,593	760,232	1,305,002	4,921	-	2,074,748
Accounts receivable	820,486	749,724	4,762	17	142	1,575,131
Due from other funds	-	860,764	-	-	1,249,539	2,110,303
Stores inventory	-	6,032	-	-	-	6,032
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,015,647</u>	<u>\$ 4,730,796</u>	<u>\$ 12,980,238</u>	<u>\$ 3,484,285</u>	<u>\$ 1,724,632</u>	<u>\$ 24,935,598</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 35,214	\$ 253,683	\$ 31,025	\$ -	\$ 10,827	\$ 330,749
Unearned revenue	1,178	-	-	-	-	1,178
Due to other funds	-	36,926	-	-	-	36,926
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>36,392</u>	<u>290,609</u>	<u>31,025</u>	<u>-</u>	<u>10,827</u>	<u>368,853</u>
Fund balances:						
Nonspendable	-	6,032	-	-	-	6,032
Restricted	1,979,255	4,434,155	12,949,213	3,484,285	1,713,805	24,560,713
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>1,979,255</u>	<u>4,440,187</u>	<u>12,949,213</u>	<u>3,484,285</u>	<u>1,713,805</u>	<u>24,566,745</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 2,015,647</u>	<u>\$ 4,730,796</u>	<u>\$ 12,980,238</u>	<u>\$ 3,484,285</u>	<u>\$ 1,724,632</u>	<u>\$ 24,935,598</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 June 30, 2020

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects for Blended Component Units Fund	Total
Revenues:						
Federal sources	\$ 546,971	\$ 7,685,610	\$ -	\$ -	\$ -	\$ 8,232,581
Other state sources	4,012,167	466,174	-	-	-	4,478,341
Other local sources	<u>1,063,135</u>	<u>2,266,700</u>	<u>1,965,838</u>	<u>62,925</u>	<u>1,289,668</u>	<u>6,648,266</u>
Total revenues	<u>5,622,273</u>	<u>10,418,484</u>	<u>1,965,838</u>	<u>62,925</u>	<u>1,289,668</u>	<u>19,359,188</u>
Expenditures:						
Current:						
Certificated salaries	2,507,087	-	-	-	-	2,507,087
Classified salaries	1,205,721	4,251,348	-	28,054	590,977	6,076,100
Employee benefits	1,457,229	2,149,033	-	17,041	326,528	3,949,831
Books and supplies	183,920	4,430,480	-	10,833	-	4,625,233
Services and other operating expenditures	443,589	186,071	135,509	4	247,487	1,012,660
Capital outlay	-	23,748	62,655	307,041	1,285,385	1,678,829
Debt Service:						
Principal retirement	-	-	38,309	-	-	38,309
Total expenditures	<u>5,797,546</u>	<u>11,040,680</u>	<u>236,473</u>	<u>362,973</u>	<u>2,450,377</u>	<u>19,888,049</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(175,273)</u>	<u>(622,196)</u>	<u>1,729,365</u>	<u>(300,048)</u>	<u>(1,160,709)</u>	<u>(528,861)</u>
Other financing sources (uses):						
Transfers in	-	860,764	-	-	-	860,764
Transfers out	<u>(178,957)</u>	<u>(363,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(542,665)</u>
Total other financing sources (uses):	<u>(178,957)</u>	<u>497,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,099</u>
Net change in fund balances	(354,230)	(125,140)	1,729,365	(300,048)	(1,160,709)	(210,762)
Fund balance, July 1, 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>
Fund balance, June 30, 2020	<u>\$ 1,979,255</u>	<u>\$ 4,440,187</u>	<u>\$ 12,949,213</u>	<u>\$ 3,484,285</u>	<u>\$ 1,713,805</u>	<u>\$ 24,566,745</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2020

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

DISTRICT ADMINISTRATION

Adam Clark, Ed.D.  
Superintendent

Jennifer Sachs  
Chief, Educational Services

Dr. Wendi Aghily  
Chief, Pupil Services and Special Education

Dr. Lisa Gonzales  
Chief Business Officer

Dr. John Rubio  
Chief, Human Resources

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2020

	Original Second Period <u>Report</u>	Audited Second Period <u>Report*</u>	Annual <u>Report</u>
Certificate Number:	<u>D5B74597</u>	<u>E138420E</u>	<u>E66D04CD</u>
Elementary:			
Transitional Kindergarten through Third	9,735	9,735	9,735
Fourth through Sixth	6,814	6,816	6,816
Seventh and Eighth	4,679	4,678	4,678
Special Education	78	78	78
Community Day School	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal Elementary	<u>21,308</u>	<u>21,309</u>	<u>21,309</u>
Secondary:			
Ninth through Twelfth	7,710	7,716	7,716
Special Education	90	89	89
Community Day School	<u>7</u>	<u>7</u>	<u>7</u>
Subtotal Secondary	<u>7,807</u>	<u>7,812</u>	<u>7,812</u>
District Totals	<u><u>29,115</u></u>	<u><u>29,121</u></u>	<u><u>29,121</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, 2020

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<u>Grade Level</u>	<u>Statutory Minutes Requirements</u>	<u>2019-2020 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	52,058	180	In compliance
Grade 2	50,400	52,058	180	In compliance
Grade 3	50,400	52,058	180	In compliance
Grade 4	54,000	55,267	180	In compliance
Grade 5	54,000	55,267	180	In compliance
Grade 6	54,000	57,423	180	In compliance
Grade 7	54,000	57,423	180	In compliance
Grade 8	54,000	57,423	180	In compliance
Grade 9	64,800	64,800	180	In compliance
Grade 10	64,800	64,800	180	In compliance
Grade 11	64,800	64,800	180	In compliance
Grade 12	64,800	64,800	180	In compliance

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MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2020

<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 Department of Education</u>			
Child Nutrition Cluster:			
10.553	Child Nutrition: School Breakfast Program Basic	13525	\$ 1,157,516
10.553	Child Nutrition: School Breakfast Program	13526	51,774
10.555	Child Nutrition: National School Lunch Programs	13523	3,482,758
10.559	Child Nutrition: Summer Food Service	13004	<u>958,396</u>
	Subtotal Child Nutrition Cluster		<u>5,650,444</u>
Child Nutrition: CCFP Programs:			
10.558	Child Nutrition: Child and Adult Care Food Program	13393	<u>532,385</u>
	Subtotal Child Nutrition: CCFP Programs		<u>532,385</u>
	Total U.S. Department of Agriculture		<u>6,182,829</u>
<u>U.S. Department of Defense - Passed through California Department of Education</u>			
12.357	J.R.O.T.C.	*	<u>167,165</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
WIOA Cluster:			
17.259	Workforce Investment Act Youth Activities	10055	185,200
17.258/17.278	Workforce Investment Act Adult & Dislocated Worker	14346	<u>28,037</u>
	Total U.S. Department of Labor		<u>213,237</u>
<u>U.S. Department Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	6,825,017
84.027	Special Ed: IDEA, Local Assistance, Part B Private School ISPs	10115	132,758
84.027A	Special Ed: IDEA Mental Health ADA Allocation	15197	345,516
84.173	Special Ed: IDEA, Preschool Grants, Part B	13430	236,216
84.173A	Special Ed: IDEA, Alternate Dispute Resolution	13007	14,601
84.173A	Special Ed: IDEA, Preschool Staff Development	13431	<u>1,487</u>
	Subtotal Special Education Cluster		<u>7,555,595</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2020

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department Education - Passed through California Department of Education (Continued)</u>			
ESEA: Title III Programs:			
84.365	ESEA: Title III, Immigrant Education Program	15146	\$ 554,800
84.365	ESEA: Title III, English Learner Student Program	14346	<u>86,674</u>
	Subtotal ESEA: Title III Programs		<u>641,474</u>
Adult Education Programs:			
84.002	Adult Education: Adult Secondary Education (Section 231)	13978	80,982
84.002A	Adult Education: Adult Basic Education and ESL (Section 231)	14508	183,476
84.002A	Adult Education: English Literacy and Civics Education - Local Grant	14109	<u>43,535</u>
	Subtotal Adult Education Programs		<u>307,993</u>
Title I, Part A Programs:			
84.010	ESEA: Title I, Part A Basic Grants Low Income and Neglected	14329	5,162,079
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs	15438	<u>345,338</u>
	Subtotal Title I, Part A Programs:		<u>5,507,417</u>
Career and Technical Education:			
84.048	Career and Technical Education Secondary Sec 131 (Carl Perkins Act)	14894	215,311
84.048	Career and Technical Education Adult Sec 132 (Carl Perkins Act)	14893	<u>34,050</u>
	Subtotal Career and Technical Education		<u>249,361</u>
Federal Pell Grant Programs			
84.063	Federal Pell Grant Program - Student Financial Assistance Cluster	*	142,912
84.063	Adult Education - FOCUS	*	<u>33,979</u>
	Subtotal Federal Pell Grant Programs		<u>176,891</u>

(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2020

<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 Education - Passed through California Department of Education (Continued)</u>			
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	\$ 161,463
84.424	ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	15396	362,321
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	<u>954,943</u>
	Total U.S. Department of Education		<u>15,917,458</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.600	Early Head Start - Head Start Cluster	38-928-05	153,432
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	<u>432,865</u>
	Total U.S. Department of Health and Human Services		<u>586,297</u>
	Total Federal Programs		<u>\$ 23,066,986</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, 2020

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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, 2020  
(UNAUDITED)

	(Budgeted) 2021	2020	2019	2018
<b>General Fund</b>				
Revenues and other financing sources	\$ 342,236,501	\$ 367,299,975	\$ 379,970,067	\$ 346,361,036
Expenditures	352,861,784	367,813,462	387,781,795	377,619,356
Other uses and transfers out	-	860,764	229,139	-
Total outgo	352,861,784	368,674,226	388,010,934	377,619,356
Change in fund balance	\$ (10,625,283)	\$ (1,374,251)	\$ (8,040,867)	\$ (31,258,320)
Ending fund balance	\$ 37,490,573	\$ 48,115,856	\$ 49,490,107	\$ 57,530,974
Available reserves	\$ 9,845,854	\$ 10,228,105	\$ 11,621,252	\$ 7,536,891
Designated for economic uncertainties	\$ 9,845,854	\$ 10,228,105	\$ 11,621,252	\$ 7,536,891
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as percentages of total outgo	<u>2.8%</u>	<u>2.8%</u>	<u>3.0%</u>	<u>2.0%</u>
Total long-term liabilities	\$ 1,080,775,398	\$ 1,112,077,578	\$ 1,119,985,345	\$ 1,053,036,339
Average daily attendance at P-2	\$ 29,447	\$ 29,121	\$ 29,377	\$ 29,780

The fund balance of the General Fund has decreased by \$40,673,438 over the past three years. The fiscal year 2020-2021 budget, as originally adopted, projects a decrease of \$10,625,283. 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 2020-2021 fiscal year.

Total long-term liabilities have increased by \$46,570,978 over the past two years.

Average daily attendance has decreased by 659 over the past two years. An increase of 326 ADA is anticipated during fiscal year 2020-2021.

See accompanying notes to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2020

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Charter Schools Chartered by District

0305 - Eagle Peak Montessori Charter

Included in District  
Financial Statements, or  
Separate Report

Separate Report

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See accompanying notes to supplementary information.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2020

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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 submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on July 10, 2020.

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		\$ 26,761,438
Less:		
Medi-Cal Billing Option	93.778	(237,287)
Child and Adult Care Food Program funds received in excess of expenditures	10.558	(1,502,781)
Qualified School Construction Bonds - Interest Subsidy	*	<u>(1,954,384)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 23,066,986</u>

\* CFDA number not available.

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(Continued)



**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, 2020, 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 *2019-20 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, 2020.

<u>Description</u>	<u>Procedures Performed</u>
Attendance Reporting	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
Charter Schools – Attendance	No, see below
Charter Schools – Mode of Instruction	No, see below
Charter Schools - Nonclassroom-Based Instruction/Independent Study	No, see below

(Continued)

<u>Description</u>	<u>Procedures Performed</u>
Charter Schools – Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter Schools - Annual Instructional Minutes, Classroom-Based	No, see below
Charter Schools - Charter School Facility Grant Program	No, see below

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

The District 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 the Before School component of the After/Before School Education and Safety Program, because the District does not offer a before school component of this program.

The District did not report any average daily attendance from 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 *2019-20 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.

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(Continued)

**Basis for Qualified Opinion with State Laws and Regulations**

As described in Finding 2020-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Mount Diablo Unified School District did not comply with the requirements regarding School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Mount Diablo Unified School District to comply with state laws and regulations referred to above.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Mount Diablo Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2020.

**Other Matter**

Mount Diablo Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Mount Diablo Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

**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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

  
Crowe LLP

Sacramento, California  
February 8, 2021

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, 2020, 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 February 8, 2021.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2020-001 that we considered to be a significant deficiency.

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(Continued)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Diablo Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Mount Diablo Unified School District's Response to Finding

Mount Diablo Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Mount Diablo Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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



Crowe LLP

Sacramento, California  
February 8, 2021

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, 2020. 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, 2020.

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(Continued)

## **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

Sacramento, California  
February 8, 2021



## **FINDINGS AND RECOMMENDATIONS**

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2020

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A 84.367	Special Education Cluster ESEA: Title II, Part A, Supporting Effective Instruction Local Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**STATE AWARDS**

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

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2020-001 - SIGNIFICANT DEFICIENCY- FINANCIAL REPORTING (30000)**

Criteria

Management is responsible for the preparation and fair presentation of their financial statements, as well as the design, implementation, and maintenance of relevant internal control to ensure their financial statements are free from material misstatement, whether due to fraud or error.

Condition

Governmental Accounting Standards Board (GASB) Statement No. 75 requires the District to determine their total other postemployment benefits (OPEB) liability using a discount rate equivalent to the yield or index rate for 20-year, tax-exempt general obligation municipal bonds, as of the measurement date. In the initial calculation of the total OPEB liability, the discount rate applied by the District's actuary was based on an average of three separate 20-year bond indices, and was calculated using the rate as of the previous measurement date.

Context

The condition above was identified through substantive auditing procedures performed over the District's total OPEB liability reported as of June 30, 2020.

Effect

The District's total OPEB liability could be misstated without an effective review control over the process of measuring the significant components and assumptions utilized in determining the total OPEB liability.

Cause

The actuary engaged to determine the total OPEB liability did not use a discount rate methodology consistent with the guidance provided by GASB Statement No. 75.

Recommendation

The District should establish a more robust internal control process for the assessment and evaluation of the actuarially-determined total OPEB liability. This process should include considering the reasonableness of the assumptions utilized by the actuary.

Views of Responsible Officials and Planned Corrective Actions

The District has engaged a new actuarial firm to complete future actuarial studies, to better address the elements required by GASB Statement No. 75.

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(Continued)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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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, 2020

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2020-002 STATE COMPLIANCE – SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

Criteria

Education Code Section 33126(b)(8) states that the school accountability report card shall include, but is not limited to, assessment of the following school conditions: (8) Safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair as specified in Section 17014, Section 17032.5, subdivision (a) of Section 17070.75, and subdivision (b) of Section 17089.

Condition

For three district sites, facility condition attributes as identified on the school accountability report card were not consistent with the information on the Facility Inspection Tool (FIT), for the respective sites.

Context

We performed the audit procedures enumerated in the State of California 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting and identified the finding described above.

Effect

The District is not in compliance with Education Code 33126(b)(8) due to the inconsistency noted.

Cause

The errors were the result of clerical errors in the preparation of the school accountability report cards.

Fiscal Impact

Not determinable.

Recommendation

The District should ensure the school accountability report cards are completed appropriately based on the information of the most recent Facility Inspection Tool.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the auditor's recommendation. A new review process has been implemented to ensure school accountability report cards appropriately, with a two-layer data verification process.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

MOUNT DIABLO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2020

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No matters were reported.