PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 15, 2026

NEW ISSUE -- FULL BOOK-ENTRY

INSURED RATINGS: S&P: "AA"; Moody's: "A1"
UNDERLYING RATING : Moody's: "A2"
See "RATINGS" herein.

In the opinion of Jones Hall LLP, San Mateo, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Such interest may be subject to the corporate alternative minimum tax. In the further opinion of Special Counsel, the interest portion of the Lease Payments is exempt from California personal income taxes. See "TAX MATTERS."

$30,000,000*
2026 CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
MT. DIABLO UNIFIED SCHOOL DISTRICT
to the Public Property Financing Corporation of California

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

Purposes. The captioned certificates of participation (the "Certificates") are being executed and delivered to (a) finance improvements to educational facilities of the Mt. Diablo Unified School District (the "District"), and (b) pay certain costs of executing and delivering the Certificates, including, but not limited to, the premiums to acquire a certificate insurance policy and a reserve fund insurance policy to be credited to the Reserve Fund (defined herein). See "THE FINANCING PLAN" herein.

Security. The Certificates evidence direct, undivided fractional interests of the owners thereof in Lease Payments to be made by the District for the use and occupancy of certain real property and improvements under a Lease Agreement, dated as of February 1, 2026 (the "Lease Agreement"), between the District and the Public Property Financing Corporation of California, a California nonprofit public benefit corporation (the "Corporation"). The Lease Payments will be payable from any source of available funds of the District, including a pledge of Special Taxes (as further defined and described herein), subject to the provisions of the Lease Agreement described herein regarding abatement and defeasance. The District is required under the Lease Agreement to take such actions as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease and to make the necessary annual appropriations for all such Lease Payments. Furthermore, under the Lease Agreement, the District is required to take all actions as shall be required under the Community Facilities Act (as defined herein) to levy and collect, and to enforce the payment and collection of, the Special Taxes when due and to apply the Special Taxes to the payment of the Lease Payments when due. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates. The Certificates will be secured under a Trust Agreement dated as of February 1, 2026, among the District, the Corporation and U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the "Trustee"). Under an Assignment Agreement dated as of February 1, 2026, between the Corporation and the Trustee, the Lease Payments will be irrevocably assigned to the Trustee for the benefit of the Owners of the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." See also "THE DISTRICT – Special Taxes" and "CERTAIN RISK FACTORS."

Interest. Interest represented by the Certificates will be payable on March 1 and September 1 of each year, commencing September 1, 2026. See "THE CERTIFICATES."

Book-Entry Only. When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased, but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F - BOOK-ENTRY ONLY SYSTEM."

Payments. Principal and interest due with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit those payments to its participants for subsequent disbursement to the beneficial owners of the Certificates as described in this Official Statement. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F - BOOK-ENTRY ONLY SYSTEM."

Prepayment. The Certificates are not subject to optional prepayment prior to maturity, but are subject to mandatory prepayment from net proceeds of insurance or condemnation and mandatory sinking fund prepayment prior to their maturity as described herein. See "THE CERTIFICATES – Prepayment."

Limited Obligation. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY OF CONTRA COSTA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

Certificate Insurance; Reserve Fund Policy. Concurrently with the issuance of the Certificates, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as Appendix I to this Official Statement. Concurrently with the delivery of the Certificates, the Certificate Insurer will also issue the Reserve Insurance Policy to be credited to the Reserve Fund. See "CERTIFICATE INSURANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Reserve Fund." See also "APPENDIX I."

ASSURED GUARANTY®

MATURITY SCHEDULE
(See inside cover)

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire official statement to obtain information essential in making an informed investment decision. See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Certificates.

The Certificates are offered when, as and if executed and delivered, subject to the approval as to their legality by Jones Hall LLP, San Mateo, California, Special Counsel. Certain legal matters will be passed upon for the District by Jones Hall LLP, San Mateo, California, as Disclosure Counsel. Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is serving as counsel to the Underwriter. It is anticipated that the Certificates will be available for delivery on or about February 12, 2026.*

STIFEL

The date of this Official Statement is: ________ __, 2026

**Preliminary; subject to change.*

$30,000,000*

2026 CERTIFICATES OF PARTICIPATION

Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the

MT. DIABLO UNIFIED SCHOOL DISTRICT

to Public Property Financing Corporation of California

MATURITY SCHEDULE*

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP†

* *Preliminary; subject to change.*

†CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright (c) 2026 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel take any responsibility for the accuracy of such numbers.

MT. DIABLO UNIFIED SCHOOL DISTRICT
CONTRA COSTA COUNTY
STATE OF CALIFORNIA

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Certificate owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the Certificates at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Certificates have not been registered or qualified under the securities laws of any state.

Certificate Insurer Disclaimer*.* Assured Guaranty Inc. ("AG" or the "Certificate Insurer") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "CERTIFICATE INSURANCE" and in APPENDIX I.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the Corporation, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$30,000,000*
2026 CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
MT. DIABLO UNIFIED SCHOOL DISTRICT
To the Public Property Financing Corporation of California

INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) (collectively, the "**Official Statement**"), provides certain information concerning the sale and delivery of the certificates of participation captioned above (the "**Certificates**"), which evidence the direct, undivided fractional interests of the Owners thereof in lease payments (the "**Lease Payments**") to be made by the Mt. Diablo Unified School District (the "**District**") of Contra Costa County (the **"County"**), State of California (the **"State"**), pursuant to a Lease Agreement dated as of February 1, 2026 (the "**Lease Agreement**"), between the District and the Public Property Financing Corporation of California (the "**Corporation**").

All capitalized terms used in this Official Statement but not otherwise defined have the meanings set forth in the Trust Agreement (defined below) or the Lease Agreement. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

The District. The District was established on July 1, 1949, and is located approximately 30 miles east of San Francisco in the northwestern portion of the County. The District covers approximately 150 square miles and encompasses an estimated population of approximately 264,000 residents including all of the cities of Concord, Pleasant Hill, and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated communities of the County including Pacheco, Bay Point and Lafayette. The District provides transitional kindergarten through twelfth grade education services across 54 schools sites. School sites include 30 elementary schools, 9 middle schools, 5 high schools, 8 alternative schools, 1 adult education school, and 1 dependent charter school. The District's enrollment for fiscal year 2025-26 is budgeted for 29,803 students. Average daily attendance is generally 93% of enrollment. The total assessed value in the District in fiscal year 2024-25 was over $56.2 billion and is over $58.4 billion in fiscal year 2025-26. See "THE DISTRICT."

Use of Proceeds of Certificates. The proceeds of the sale of the Certificates will be used for the following purposes:

(i) to finance capital improvements to educational facilities of the District which constitute Authorized Projects under the District's Measure A (both as defined herein), and

(ii) to pay certain costs incurred in connection with the execution and delivery of the Certificates including the premiums to obtain a certificate insurance policy (the "**Certificate Insurance Policy**") and a reserve fund insurance policy (the "**Reserve Fund Policy**") to be issued by Assured Guaranty Inc. (the **"Certificate Insurer"** or "**AG**") concurrently with the delivery of the Certificates.

See "THE FINANCING PLAN."

**Preliminary; subject to change.*

Security and Sources of Payment. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "**Owners**") thereof in the Lease Payments to be made by the District for the right to use the land and buildings comprising the District's Delta View Elementary School, to be leased by the District from the Corporation under the Lease Agreement (the "**Leased Property**"). See "THE LEASED PROPERTY" and "DISTRICT FINANCIAL INFORMATION – Long Term District Debt." The District has covenanted to annually budget and appropriate Lease Payments from its general fund, to the extent that Special Taxes (defined below) are insufficient to pay any Lease Payment when due.

The District and the Corporation will enter into a Site Lease dated as of February 1, 2026 (the "**Site Lease**"). Under the Site Lease, the District (as owner of the Leased Property) will lease the Leased Property to the Corporation. Concurrently, the District and the Corporation will enter into the Lease Agreement, under which the District will sublease the Leased Property back from the Corporation.

The Certificates will be executed and delivered under a Trust Agreement dated as of February 1, 2026 (the "**Trust Agreement**"), among the District, the Corporation and U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the "**Trustee**").

The Trustee and the Corporation will enter into an Assignment Agreement dated as of February 1, 2026 (the "**Assignment Agreement**"), under which the Corporation will assign to the Trustee for the benefit of the Certificate Insurer and the Certificate Owners substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments due under the Lease Agreement, provided that the Corporation will retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement.

See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

LIMITED OBLIGATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY OF CONTRA COSTA (THE "**COUNTY**"), THE STATE OF CALIFORNIA (THE "**STATE**") OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Community Facilities District No. 1; Special Taxes. In 1988, the District Board of Education established Community Facilities District No. 1 (the **"Community Facilities District"**) under the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code (the **"Community Facilities Act"**). The Community Facilities District is coterminous with the boundaries of the District. At a special election held on November 7, 1989, two-thirds or more of the voters of the District approved Measure A (**"Measure A"**), authorizing the levy and collection of a special tax at the rate of $67 per taxable unit (the **"Special Taxes"**) in the Community Facilities District. See "THE DISTRICT - Community Facilities District No. 1" and "APPENDIX H - MT. DIABLO UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1 SPECIAL TAX INFORMATION."

Covenant to Appropriate*; *Abatement. The Lease Payments are payable from any source of available funds of the District, including a pledge of the Special Taxes, subject to the provisions of the Lease Agreement described herein regarding abatement and defeasance.

The District is required under the Lease Agreement to take such actions as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease and to make the necessary annual appropriations for all such Lease Payments. Furthermore, under the Lease Agreement, the District is required to take all actions as shall be required under the Community Facilities Act to levy and collect, and to enforce the payment and collection of, the Special Taxes when due and to apply the Special Taxes to the payment of the Lease Payments when due. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

However, the Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the District's right to the use and possession of the Leased Property or any portion thereof due to material damage to or destruction of the Leased Property or due to the taking of the Leased Property in eminent domain proceedings. If the Lease Payments are abated under the Lease Agreement, and are not paid from alternative sources as described in this Official Statement, the Certificate Owners would receive less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of rental interruption insurance are available or there are moneys in the Reserve Fund with respect to the Certificates (as described below), or there are Special Taxes available to the District, the Lease Payments (or a portion thereof) may be made from those sources during periods of abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "CERTAIN RISK FACTORS."

Prepayment. The Certificates are not subject to optional prepayment prior to maturity, but are subject to mandatory prepayment from net proceeds of insurance or condemnation and mandatory sinking fund prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment."

Certificate Insurance; Reserve Insurance Policy. Concurrently with the delivery of the Certificates, the Certificate Insurer will issue the Certificate Insurance Policy for the Certificates. The Certificate Insurance Policy guarantees the scheduled payment of principal and interest represented by the Certificates when due as set forth in the form of the Certificate Insurance Policy included as APPENDIX I to this Official Statement. Concurrently with the delivery of the Certificates, the Certificate Insurer will also issue the Reserve Insurance Policy to be credited to the Reserve Fund. See "CERTIFICATE INSURANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Reserve Fund." See also APPENDIX I.

Legal Matters. The execution and delivery of the Certificates is subject to the approving opinion of Jones Hall LLP, San Mateo, California ("**Special Counsel**"), to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall LLP, San Mateo, California, is also serving as Disclosure Counsel to the District (**"Disclosure Counsel"**). Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is serving as counsel to the Underwriter ("**Underwriter's Counsel**"). *Payment of the fees of Special Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the delivery of the Certificates.*

Tax Matters. In the opinion of Special Counsel, subject to certain qualifications described herein, under existing law the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Such interest may be subject to the corporate alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" and APPENDIX D hereto for the form of Special Counsel's opinion to be delivered concurrently with the delivery of the Certificates.

Certain Risk Factors Including Cyber Risks. As described under the heading "CERTAIN RISK FACTORS," there are investment considerations and other risk factors associated with the purchase of the Certificates. Any one or more of the risks discussed, and others, could lead to a decrease in the market value of the Certificates. Potential purchasers of the Certificates are advised to review the entire Official Statement carefully and to conduct such due diligence and other review as they deem necessary and appropriate under the circumstances. It is noted that the District, like other governmental and business entities, faces significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes, and may face cybersecurity threats, attacks or incidents from time to time. For more detail regarding potential risks including cyber risks, see "CERTAIN RISK FACTORS" and "CYBER RISKS" herein.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Certificates and executed by the District (the **"Continuing Disclosure Certificate"**). The form of the Continuing Disclosure Certificate is included in APPENDIX E hereto. See "CONTINUING DISCLOSURE."

Summaries of Documents. The summaries or references to the Site Lease, the Trust Agreement, the Lease Agreement, the Assignment Agreement and other documents, agreements and statutes referred to in this Official Statement, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Certificates are available from the District from the Superintendent's Office at Mt. Diablo Unified School District, 1936 Carlotta Drive, Concord, California, 94519, Telephone: (925) 682-8000. The District may impose a charge for copying, mailing and handling. The District also maintains a website. The information contained in such website is not incorporated herein by reference.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

[Remainder of Page Intentionally Left Blank]

THE FINANCING PLAN

The proceeds of the Certificates will be applied to finance capital facility improvement projects in the District which constitute Authorized Projects under Measure A (the "**Project**"). See also "SOURCES AND USES OF FUNDS" herein.

Pursuant to the Trust Agreement, the Trustee will establish a project fund (the "**Project Fund**") into which a portion of the Certificate proceeds will be deposited in order to finance the Project. Pursuant to the Trust Agreement, funds deposited in the Project Fund will be withdrawn by the Trustee upon the written request of the District to pay or reimburse Project Costs, as defined in the Trust Agreement. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT."

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates are as follows:

<u>Sources of Funds</u>	
Principal Amount of Certificates	
Plus/Less Original Issue Premium/Discount	
Total Sources	
<u>Uses of Funds</u>	
Project Fund	
Lease Payment Fund	
Delivery Costs[1]	
Total Uses	

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Special Counsel, Disclosure Counsel, Municipal Advisor, Trustee, premiums for the Certificate Insurance Policy and Reserve Fund Policy, the rating agency and certain other costs.

[Remainder of Page Intentionally Left Blank]

THE LEASED PROPERTY

Description and Location

Lease Payments will be made by the District under the Lease Agreement for the use and possession of the Leased Property, which consists of the real property and improvements thereon owned by the District and commonly known as Delta View Elementary School. Located at 2916 Rio Verde Drive in Pittsburgh, California, the Leased Property consists of a two-story building totaling 26,066 square feet, originally constructed in 2004. The insured replacement value of the Leased Property is approximately $36.9 million, not including the value of the land, which exceeds the principal amount of the Certificates.

Fair Rental Value

The Lease Agreement provides that the Lease Payments and any Additional Payments which are payable in a Rental Period will constitute the total rental for the Leased Property for that Rental Period, and will be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Corporation and the District have agreed and determined in the Lease Agreement that the total Lease Payments and Additional Payments represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the estimated fair market value of the Leased Property, other obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the District and the general public.

Substitution

The Lease Agreement provides that, upon compliance with certain conditions specified therein, the District may substitute alternate real property for all or any portion of the Leased Property or to release a portion of the Leased Property from the Lease Agreement. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT."

THE CORPORATION

The Public Property Financing Corporation of California is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was formed for the primary purpose of rendering assistance to public agencies with their financing needs. The governing board of the Corporation adopted its resolution approving the execution and delivery of the Certificates and related documents at a meeting held on January 12, 2026.

THE CERTIFICATES

Certificate Terms

General. The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Lease Payments to be made by the District pursuant to the Lease Agreement.

The Certificates are dated the date of original delivery thereof and will be executed and delivered, without coupons, in denominations of $5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The interest components evidenced by the Certificates will be due and payable semiannually on March 1 and September 1 of each year (each a "**Payment Date**"), commencing September 1, 2026.

Each Certificate shall be dated as of the date of its execution, and interest represented thereby shall be payable from the Payment Date next preceding the date of execution thereof, (a) unless it is executed following the close of business on the 15th day of the month preceding each Payment Date, whether or not such 15th day is a Business Day (a "**Record Date**") and on or before the next succeeding Payment Date, in which event interest represented thereby shall be payable from such Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby shall be payable from the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriter; *provided, however*, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby shall be payable from the Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Lease Payments evidenced by the Certificates will be payable no later than the fifth Business Day preceding each Payment Date (in the event that any payment due under the Lease Agreement is due on a day which is not a Business Day, such payment shall be made on the next Business Day), the principal components of which will evidence interest components calculated at the rates per annum, all as set forth on the front inside cover page of this Official Statement.

Prepayment

The Certificates are subject to prepayment as described below. Capitalized terms used below and not defined have the meanings assigned to such terms in the Trust Agreement. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

No Optional Prepayment. The Certificates are not subject to optional prepayment before their respective stated maturities.

Mandatory Prepayment from Sinking Fund Prepayments*. The Certificates maturing on September 1, 20__ (the "**Term Certificates**") are subject to mandatory sinking fund prepayment by lot on September 1 in each year as set forth in the following table, from the principal components of the Lease Payments required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

**Term Bonds, if any, subject to mandatory sinking fund prepayment to be determined at time of pricing.*

Sinking Fund Prepayment Date (September 1)	Principal Amount To Be Prepaid

Notwithstanding the foregoing, if some but not all of the Term Certificates are prepaid under the Trust Agreement, the aggregate principal amount of the Term Certificates to be prepaid in each year as reflected in the foregoing table shall be reduced by the aggregate principal amount of Term Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of $5,000 such that the resulting amount of principal represented by the Term Certificates subject to prepayment on any date is equal to the aggregate principal components of the Lease Payments coming due and payable on such date.

Mandatory Prepayment from Net Proceeds**.** The Certificates are subject to mandatory prepayment, in whole or in part on any Business Day, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease Agreement and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

Purchase In Lieu of Prepayment. In lieu of prepayment of Certificates as provided in the Trust Agreement and described above, amounts held by the Trustee for such prepayment may, at the written request of the District, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid.

Notice of Prepayment. The Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice must:

(a) state the prepayment date and prepayment price;

(b) state the numbers or maturities of the Certificates to be prepaid, if less than all of the then Outstanding Certificates are to be called for prepayment;

(c) if a Certificate is to be prepaid only in part, identify the portion of the Certificate which is to be prepaid;

(d) require that such Certificates be surrendered on the prepayment date at the office of the Trustee for prepayment at said prepayment price;

(e) state that interest represented by the Certificates will not accrue from and after the prepayment date; and

(f) state that on the prepayment date the principal represented by each Certificate will become due and payable, together with accrued interest represented thereby to the prepayment date, and that from and after such date interest represented thereby ceases to accrue and be payable.

The Trustee shall mail such notice of prepayment by first class mail with postage prepaid, to the Securities Depositories (as defined in the Trust Agreement) and to the owners of Certificates designated for prepayment at their respective addresses appearing on the registration books for the Certificates, at least 20 days but not more than 60 days prior to the prepayment date. Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

While the Certificates are subject to the book-entry system, the Trustee will not be required to give any notice of prepayment to any person or entity other than DTC and to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System and at the District's written direction, other securities depositories and information services. DTC and the Direct Participants shall have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be prepaid. Any failure at DTC to notify any Direct Participant, or any failure of a Direct Participant to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under "Effect of Prepayment."

Rescission of Prepayment Notice*.* The District may rescind any prepayment of the Certificates, and notice thereof, for any reason on any date prior to the date fixed for such prepayment by causing written notice of the rescission to be given to the Owners of the Certificates so called for prepayment. Notice of rescission of prepayment will be given in the same manner in which the notice of prepayment was originally given. The actual receipt of notice of such rescission is not a condition precedent to rescission and failure to receive such notice and any defect in such notice will not affect the validity of the rescission. The District, the Corporation or the Trustee have no liability to the Owners of any Certificates, or any other party, as a result of the District's decision to rescind any prepayment of the Certificates.

Selection of Certificates. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid.

Effect of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, and shall be held by the Trustee in cash, uninvested.

Book-Entry Only System

The Certificates will be executed and delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Certificates (the "**Beneficial Owners**") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through Direct Participants (as defined in this Official Statement) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See "APPENDIX F - BOOK-ENTRY ONLY SYSTEM." If the book-entry only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement, as described below.

Transfer and Exchange of Certificates

While the Certificates are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F - BOOK-ENTRY ONLY SYSTEM." During any period in which the Certificates are not subject to DTC's book-entry system, their exchange and transfer will be governed by provisions of the Trust Agreement summarized in "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

[Remainder of Page Intentionally Left Blank]

DEBT SERVICE SCHEDULE

The following table summarizes the debt service payments due with respect to the Certificates (assuming no prepayments), which are payable from Lease Payments made pursuant to the Lease Agreement. Under the Lease Agreement, Lease Payments are payable by the District on the fifth Business Day immediately preceding each Payment Date for the Certificates.

MT. DIABLO UNIFIED SCHOOL DISTRICT
2026 CERTIFICATES OF PARTICIPATION
Semi-Annual Debt Service Schedule

Date	Principal Component	Interest Component	Total Payments
09/01/2026			
03/01/2027			
09/01/2027			
03/01/2028			
09/01/2028			
03/01/2029			
09/01/2029			
03/01/2030			
09/01/2030			
03/01/2031			
09/01/2031			
03/01/2032			
09/01/2032			
03/01/2033			
09/01/2033			
TOTALS			

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

General. Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payment due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from the date of delivery to its principal payment date or prepayment date, as the case may be.

Assignment of Rights in Lease to Trustee. The Corporation, under the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the District; except that the Corporation will retain certain rights under the Lease Agreement (including the rights to Additional Payments, repayment of advances, indemnification and payment of attorneys' fees). The District will pay Lease Payments directly to the Trustee, as assignee of the Corporation. See "– Lease Payments" below.

Lease Payments

General. For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the District to make Lease Payments. To secure the payment of the Lease Payments, the District is required to pay to the Trustee an amount sufficient to pay the Lease Payment then due for deposit into the Lease Payment Fund established and maintained by the Trustee, on the fifth Business Day before each Payment Date.

Pursuant to the Trust Agreement, the Trustee shall withdraw moneys from the Lease Payment Fund on each Payment Date in amounts which equal the Lease Payment due on such Payment Date and shall cause all sums withdrawn from the Lease Payment Fund to be deposited in the Certificate Payment Account, and shall cause the same to be applied to the payment of principal and interest evidenced by the Certificates due on such Payment Date.

Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE."

Additional Rent. The Lease Agreement requires the District to pay, in addition to the Lease Payments, all costs and expenses incurred by the District under the Lease Agreement or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, all reimbursements of costs to the Certificate Insurer that do not constitute payment of Lease Payments, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement (collectively, "**Additional Payments**").

Covenant to Appropriate Funds. The District covenants to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets. The District further covenants to make all necessary appropriations (including any supplemental appropriations) from the Special Taxes and, if needed, from any source of legally available funds of the District, for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the District contained in the Lease Agreement are duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Lease Payments; Budget and Appropriation; Abatement.”

For more information about the District and its finances, see information under the heading “THE DISTRICT” below.

For more information about the Community Facilities District and the Special Taxes, see “APPENDIX H - MT. DIABLO UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1 SPECIAL TAX INFORMATION.”

Abatement

Lease Payments will be paid by the District in each rental period for the District’s right to use and occupy the Leased Property for such rental period. The obligation of the District to pay Lease Payments will be abated, proportionately, during any period in which, by reason of damage or destruction, or taking in eminent domain, there is substantial interference with the use and possession of the Leased Property by the District. The Lease Agreement provides that the amount of such abatement shall be determined by the District such that the resulting Lease Payments represent the fair consideration for the use and possession of the portion of the Leased Property not damaged or destroyed or taken; provided, however, that such abatement shall not result so long as moneys in the Lease Payment Fund (including funds derived from Special Taxes) and the Reserve Fund and the Net Proceeds of insurance and rental interruption insurance and condemnation awards are sufficient to make Lease Payments when and as due.

With respect to abatement due to damage or destruction, such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction; and the Term of the Lease shall be extended as provided in the Lease Agreement, except that the Term of the Lease will in no event be extended more than ten years beyond the termination date. Abatement of Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. In the event of any such partial damage or destruction or taking, the Lease Agreement will continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage or destruction or taking. For information regarding rental interruption insurance, see “ – Covenant to Maintain Property Insurance” below.

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease will cease with respect thereto as of the day possession is so taken. If less than all of the

Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking, and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property, calculated in accordance with the Lease Agreement.

Notwithstanding the foregoing, the Lease Payments will not be abated to the extent that Special Taxes are available to pay Lease Payments which would otherwise be abated pursuant to the provisions above, and such proceeds and amounts constitute a special fund under the Lease Agreement for the payment of the Lease Payments. And further, there will be no abatement of Lease Payments to the extent that amounts in the Reserve Fund, insurance proceeds and eminent domain proceeds are available to pay Lease Payments that would otherwise be abated under the Lease Agreement, and such proceeds and amounts will constitute a special fund for the payment of the Lease Payments.

The Trustee cannot terminate the Lease Agreement solely on the basis of such substantial interference. Abatement of Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Leased Property, see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Lease Payments – Abatement.”

Limited Obligation

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Lease Payment Fund

Establishment. Under the Trust Agreement the Trustee will establish a special fund designated as the “Lease Payment Fund.” All moneys at any time deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates.

So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as set forth in the Trust Agreement.

Deposits; Surplus. All Lease Payments received by the Trustee will be deposited in the Lease Payment Fund. Any surplus remaining in the Lease Payment Fund, after prepayment and payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee and the Certificate Insurer or provision for such prepayment or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

Special Taxes. As provided in the Lease Agreement, the Lease Payments are payable from and secured by a pledge of and lien on the Special Taxes, which shall be applied by the District to make pay the Lease Payments when due. See APPENDIX H hereto for more information about the Special Taxes.

Action on Default

If the District defaults under the Lease Agreement, the Trustee, as assignee of the Corporation's rights under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the District, or may retain the Lease Agreement and hold the District liable for all Lease Payments thereunder on an annual basis. Lease Payments may not be accelerated upon a default under the Lease Agreement. See "CERTAIN RISK FACTORS."

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Reserve Fund

A reserve fund (the "**Reserve Fund**") is established by the Trust Agreement and is required to be funded in an amount of the "**Reserve Requirement**", being, as of the date of calculation thereof, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the District shall have posted a security deposit pursuant to the Lease) coming due in the current or any future Bond Year, or (c) 125% of average annual Lease Payments.

The Reserve Fund is required to be maintained until all Lease Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding.

The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund moneys, a letter of credit, a bond insurance policy, or any other comparable credit facility issued by an insurance company satisfying the requirements of the Trust Agreement. Amounts available in the Reserve Fund, including amounts available pursuant to any such reserve fund credit instrument, will be used to make delinquent Lease Payments on behalf of the District.

On the Closing Date, it is expected that the District will acquire the Reserve Fund Policy from AG which will be credited to the Reserve Fund and will satisfy the Reserve Requirement.

Amounts available in the Reserve Fund, including amounts available pursuant to the Reserve Fund Policy will be used to make delinquent Lease Payments in accordance with the Trust Agreement.

See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" for a further description of the application of funds in the Reserve Fund.

Covenant to Maintain Property Insurance

The Lease Agreement requires the District to obtain public liability and property damage insurance, casualty insurance, rental interruption insurance, and to obtain a title insurance policy with respect to the Leased Property, as described below.

Public Liability and Property Damage Insurance. The District will maintain or cause to be maintained, throughout the Term of the Lease, comprehensive general insurance in protection of the District and its members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of a program of self-insurance by the District, and with the consent of the Certificate Insurer may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the Net Proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which such Net Proceeds are paid.

***Casualty Insurance*.** The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the greater of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and with the consent of the Certificate Insurer may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the Net Proceeds of such insurance as provided in the Lease Agreement.

Rental Interruption Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered by casualty insurance as described in the preceding paragraphs, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, provided that the provider of such insurance has at least an “A” rating by A.M. Best & Company, and with the consent of the Certificate Insurer may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The District shall obtain a CLTA title insurance policy from Stewart Title Guaranty, insuring the District’s leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and credited towards the prepayment of the Lease Payments under the Lease Agreement.

See also “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Insurance.”

Insurance and Condemnation Fund; Application of Net Proceeds

The Lease Agreement requires that Net Proceeds of any insurance or condemnation award with respect to the Leased Property (other than proceeds of rental interruption insurance, which are required to be deposited into the Lease Payment Fund) be paid to the Trustee to be applied as provided in the Trust Agreement. The Trust Agreement provides that such Net Proceeds received by the Trustee shall be deposited in the Insurance and Condemnation Fund and that the District shall, within 90 days of the deposit of Net Proceeds with the Trustee, file a certificate with the Trustee and the Net Proceeds shall be applied by the Trustee as follows:

Application of Net Proceeds of Insurance. Any Net Proceeds of insurance collected by the District in the event of accident to or destruction of any component of the Leased Property shall be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the “Insurance and Condemnation Fund” which the Trustee shall establish. If the District determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interests of the District, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding prepayment of Certificates, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given. Notwithstanding the foregoing provisions, the determination of the District to apply Net Proceeds to the prepayment of Certificates is subject to the following:

(a) if the Leased Property is damaged or destroyed in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments allocable to the Leased Property; and

(b) if the Leased Property is damaged or destroyed in part but not in whole, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if the Lease Payments which result after the corresponding abatement thereof under the Lease Agreement are sufficient to pay the full amount of principal and interest represented by the Certificates which remain Outstanding after such prepayment.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the District, upon receipt of written requisitions of the District stating with respect to each payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount to be paid and (c) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after the District shall file a written certificate with the Trustee stating that such work has been completed shall, after payment of all amounts then due and owing to the Trustee hereunder, be paid to the District.

See "THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds."

Application of Net Proceeds of Condemnation Award. The Trust Agreement provides that, if all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund, under the Lease Agreement, and shall be applied and disbursed by the Trustee as follows:

(a) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the District has given written notice to the Trustee of such determination, the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited towards the payment of the Lease Payments as they become due and payable.

(b) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for the repair or rehabilitation of the Leased Property.

(c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments of the Lease Agreement and applied to the corresponding prepayment of Certificates, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under this section, the District may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Any such determination by the District is final. See also "THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds."

CERTIFICATE INSURANCE

Municipal Bond Insurance Policy

Concurrently with the issuance of the Certificates, Assured Guaranty Inc. ("**AG**") will issue its Municipal Bond Insurance Policy (the "**Policy**") for the Certificates. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("**KBRA**") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("**Moody's**"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("**AGM**"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At September 30, 2025:

- The policyholders' surplus of AG was approximately $3,268 million.

- The contingency reserve of AG was approximately $1,481 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,431 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (filed by AGL with the SEC on November 7, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "CERTIFICATE INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "CERTIFICATE INSURANCE".

THE DISTRICT

General Information

The District was established on July 1, 1949, and is located approximately 30 miles east of San Francisco in the northwestern portion of the County. The District covers approximately 150 square miles and encompasses an estimated population of about 264,000 residents including all of the cities of Concord, Pleasant Hill, and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated communities of the County including Pacheco, Bay Point and Lafayette. The District provides transitional kindergarten through twelfth grade education services across 54 school sites. School sites include 30 elementary schools, 9 middle schools, 5 high schools, 8 alternative schools, 1 adult education school, and 1 dependent charter school. The District's enrollment for fiscal year 2025-26 is budgeted for 29,803 students. Average daily attendance is generally 93% of enrollment. The District is funded under the State's funding formula known as the "Local Control Funding Formula."

Community Facilities District No. 1

In 1988, the District Board of Education established the Community Facilities District under the Community Facilities Act. The Community Facilities District is coterminous with the boundaries of the District. At a special election held on November 7, 1989, two-thirds or more of the voters of the District approved Measure A, authorizing the levy and collection of the Special Taxes in the Community Facilities District. The proceeds of the Special Taxes are to be used for the purpose of providing financing for the rehabilitation and improvement of existing elementary, middle and high school facilities and other facilities, and the construction and installation of new elementary, middle and high school facilities at existing school sites, together with necessary appurtenances thereto and furniture and equipment therefor (the **"Authorized Projects"**). At this time there are not any special tax bonds outstanding. The Lease Payments described herein, which provide for the payment of debt service on the Certificates, are expected to be paid from Special Taxes, and if insufficient or unavailable for said purpose, the Lease Payments will be payable from the District's general fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

Special Taxes

The District receives special tax revenues pursuant to Measure A. The Special Taxes are levied throughout the District, which is coterminous with the Community Facilities District. The following table summarizes recent levies of the Special Taxes and debt service due on special tax bonds and certificates of participation payable from said special taxes, and net surpluses. Note that as of the date of delivery of the Certificates, there will not be any special tax bonds or prior certificates of participation remaining outstanding and payable from the Special Taxes. No representation is made by the District that Special Taxes will be sufficient to pay the Lease Payments in their entirety when due. The lien on the Special Taxes securing the Certificates is subordinate to the pledge and lien which secures outstanding special tax bonds and certificates of participation of the District. See "CERTAIN RISK FACTORS – Insufficiency of Special Taxes" herein.

HISTORICAL SPECIAL TAXES
Fiscal Years 2020-21 through 2025-26
Mt. Diablo Unified School District

Fiscal Year	Special Tax Levy	Debt Service on Outstanding Obligations(1)	Historical Net Special Taxes
2020-21	$6,569,350	$5,100,875	$1,468,475
2021-22	6,607,942	4,822,000	1,785,942
2022-23	6,637,891	4,547,625	2,090,266
2023-24	6,653,636	4,458,000	2,195,636
2024-25	6,671,860	3,692,750	2,979,110
2025-26	6,670,520	3,295,000	3,375,520

(1) Includes 2016 Special Tax Bonds which matured on August 1, 2024. Also includes 2018 Certificates of Participation (the **"2018 COPs"**) which have a pledge of Special Taxes and have a final maturity date of September 1, 2026. Prior to the issuance of the Certificates described herein, the District plans on depositing in the related lease payment fund all remaining debt service required for the 2018 COPs. As such, provision for payment in full of the 2018 COPs will have been made and the 2018 COPs will be terminated prior to issuance of the Certificates, and the Certificates described herein will be the only outstanding long-term obligation payable from the Special Taxes.

Source: Mt. Diablo Unified School District.

Administration

Board of Education. The District is governed by a five-member Board of Education (the "**Board**"), each member of which is elected to a four-year term. Elections for positions to the Board by trustee area are held every two years, alternating between two and three available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

BOARD OF EDUCATION
Mt. Diablo Unified School District

Name	Office	Term Expires
Debra Mason, Area 1	President	November 2026
Keisha Nzewi, Area 3	Vice President	November 2028
Brian Lawrence, Area 4	Trustee	November 2026
Linda Mayo, Area 2	Trustee	November 2026
Thomas McDougall, Area 5	Trustee	November 2028

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board of Education, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Adam Clark, Ed.D., is the District Superintendent and Adrian Vargas is the Chief Business Officer.

Recent Enrollment and ADA Trends

The following table shows historical enrollment and average daily attendance ("**ADA**") for the District.

ANNUAL ENROLLMENT AND AVERAGE DAILY ATTENDANCE
Fiscal Years 2015-16 through 2025-26
Mt. Diablo Unified School District

Fiscal Year	Student Enrollment	% Change	ADA(2)	% Change
2015-16	32,002	--%	30,384	--%
2016-17	31,813	(0.6)	30,120	(0.9)
2017-18	31,315	(1.6)	29,708	(1.4)
2018-19	31,013	(1.0)	29,299	(1.4)
2019-20(1)	31,037	0.1	29,121	(0.6)
2020-21	29,908	(3.8)	29,122	0.0
2021-22	29,134	(2.7)	26,413	(9.3)
2022-23	29,180	0.2	26,586	0.7
2023-24	29,356	0.6	27,052	1.8
2024-25	29,500	0.5	27,444	1.4
2025-26(3)	29,682	0.6	27,613	0.6

*Due to the COVID-19 Pandemic which commenced in approximately March 2020 and related legislation enacted to minimize the impacts to school districts on funding based on ADA, the ADA figures for these years do not represent actual ADA but ADA for State funding entitlement purposes.
(1) The COVID-19 pandemic commenced in approximately March 2020.
(2) Funded ADA. ADA for funding purposes can be the higher of actual ADA, prior year ADA, or an average of the three prior years.
(3) First Interim.
Source: Mt. Diablo Unified School District.

The District actively examines its enrollment trends. The District has a demographer which has prepared a demographic study to assist the District in making future facilities and program planning decisions. The demographer's most recent report predicts steady growth over the next several years. The District generally attributes this to the continued implementation of the TK-K program which has been steady and continues to be implemented.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system under State law, subject to approval or sponsorship by an existing local public school district, a county board of education or the State Board of Education.

The District is currently a sponsor to two charter schools. Both have separate governance and audited financial statements from the District. The first is Eagle Creek Montessori Charter School, established in 2000 and serving grades one through six (enrollment generally 290 students), with a current charter extending to 2027. Its funding under LCFF flows through the District as its sponsor. The second is Rocketship Futuro Academy Mt. Diablo serving grades TK through five (enrollment generally 650 students), with a current charter extending to 2027. It a directly funded by the State and does not have funds which flow through the District.

Clayton Valley Charter High School is a charter school in District boundaries but sponsored by the County Office of Education. Contra Costa County School of Performing Arts was located in the District and sponsored by the County Office of Education, but closed at the end of the 2024-25 fiscal year due to low enrollment generally at 360 students and serving grades six through twelve.

Employee Relations

The District has in fiscal year 2025-26 budgeted for, 1,668 full time equivalent ("**FTE**") certificated employees, 1,118 FTE classified employees and 252 management/Supervisor/Confidential FTE employees. Certificated employees, classified employees and District police officers are represented by employee bargaining units as follows:

Bargaining Unit	Type of Employees Covered	Contract Expiration Date
Mt. Diablo Education Assn. (**"MDEA"**)	Certificated - non-psychologists	6/30/2028
Mt. Diablo School Psychologist Assn.	Certificated - psychologists	6/30/2025*
Teamsters Local Union #856	Classified - maint., oper., transport.	6/30/2026
Public Employees Union, Local #1	Classified - clerical, secret., tech.	6/30/2027
California School Employees Assn.	Classified - instruct. aide/campus supvsr	6/30/2027

*Parties perform pursuant to expired terms pending settlement.
Source: Mt. Diablo Unified School District.

The foregoing contracts have annual re-openers for certain terms including salaries and other benefits. All salaries have been settled through fiscal year 2025-26 although the contract with the Mt. Diablo School Psychologist Association is still under negotiation.

Risk Management

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. As such, the District undertakes a risk management program to minimize its risks.

The District is a member of Protected Insurance Program for Schools ("**PIPS**"), Northern California Relief ("**NCR**"), the Schools' Self-Insurance of Contra Costa County ("**SSICCC**"), and the School Project for Utility Rate Reduction ("**SPURR**") through joint powers agreements ("**JPAs**"). These JPAs 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.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025".

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the ADA for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues which exceeded their revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues and were entitled to keep those tax revenues which exceeded their revenue limit funding entitlement, receiving full funding from their property tax revenues.

The fiscal year 2013-14 State budget replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades TK-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades TK-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 65% (which was increased from 50% as part of the State's trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. The legislation implementing LCFF also included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

In 2021, legislation was passed that requires school districts operating a kindergarten program to also provide a transitional kindergarten (**"TK"**) program for all 4-year-old children by fiscal year 2025–26.

Funding levels used in the LCFF entitlement calculations for fiscal year 2025-26 are set forth in the following table.

Fiscal Year 2025-26 Base Grant Funding* Under LCFF
by Grade Span

Entitlement Factor	TK/K-3	4-6	7-8	9-12
A. 2024-25 Base Grant per ADA	$10,025	$10,177	$10,478	$12,144
B. 2025-26 COLA for LCFF (A x 2.30%)	$231	$234	$241	$279
C. 2025-26 Base Grant per ADA before Grade Span Adjustments (A+B)	$10,256	$10,411	$10,719	$12,423
D. Grade Span Adjustments (TK-3: C x 10.4%; 9-12: C x 2.6%)	$1,067	n/a	n/a	$323
E. 2025-26 Base Grant/Adjusted Base Grant per ADA (C + D)	$11,323	$10,411	$10,719	$12,746

*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%, (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion (of Unduplicated Pupil Percentage that exceeds 55%, times 65%, and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of $5,545 times the school district's current year TK ADA.
Source: California Department of Education.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction (the "**State Superintendent**") performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

The District is funded pursuant to LCFF, and does not operate as a "Basic Aid" school district.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2025 Audited Financial Statements were prepared by Nigro & Nigro, Murrieta, California, and are attached hereto as APPENDIX B and are expected to be presented to and accepted, without change, by the District Board of Education on February 11, 2026. Audited financial statements for the District for prior fiscal years are on file with the District at the Superintendent's office. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District may impose a charge for copying, mailing and handling.

[Remainder of Page Intentionally Left Blank]

General Fund Revenues, Expenditures and Changes in Fund Balance. The District's general fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The following tables shows the audited income and expense statements for the District for the fiscal years 2020-21 through 2024-25. Due to a change in format the information is presented in two tables.

The fiscal year 2024-25 audit is expected to be presented to and accepted by the Board on February 11, 2026, and no changes are anticipated.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2020-21 through 2024-25 (Audited)

	Audited 2020-21	Audited 2021-22
SOURCES		
LCFF Sources	$273,739,162	$294,188,626
Federal Revenue	40,981,415	35,389,544
Other State Revenue	67,830,890	82,324,107
Other Local Revenue	14,123,812	17,429,588
Total Revenue Limit	396,675,279	429,331,865
EXPENDITURES		
Certificated Salaries	150,480,840	155,784,196
Classified Salaries	49,269,765	51,966,641
Employee Benefits	98,388,178	104,018,742
Books and Supplies	11,399,985	20,676,153
Services, Other Operating Expenses	37,814,803	48,278,549
Other Outgo	1,289,322	1,010,866
Capital Outlay	4,234,603	3,913,398
Debt Service:		
Principal Retirement	1,735,149	2,825,000
Interest	1,025,787	774,425
Total Expenditures	355,638,432	389,247,190
Excess of (Deficiency) of Revenues Over Expenditures	41,036,847	40,084,675
OTHER FINANCING SOURCES		
Operating Transfers In	167,994	449,571
Operating Transfers Out	--	--
Total Other Financing Sources (uses)	167,994	449,571
Net Change in Fund Balance	41,204,841	40,534,246
Fund Balance, July 1	48,115,856	89,320,697
Fund Balance, June 30	$89,320,697†	$129,854,943†

†The primary cause of the increased fund balance is due to increase in grants and contributions from federal and State authorities.
Source: Mt. Diablo Unified School District.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2022-23 and 2024-25 (Audited)

	Audited 2022-23	Audited 2023-24	Audited 2024-25*
SOURCES			
LCFF Sources	$308,423,367	$338,666,477	$338,675,447
Federal Revenue	34,382,063	47,446,034	19,394,238
Other State Revenue	125,806,461	86,285,225	87,892,739
Other Local Revenue	22,418,271	30,903,325	37,418,755
Total Revenue Limit	491,030,162	503,301,061	483,381,179
EXPENDITURES			
Current:			
Instruction	267,616,019	297,349,935	323,594,143
Instruction-Related Services:			
Supervision of instruction	17,844,877	19,428,561	21,314,503
Instructional library, media and tech.	3,148,494	3,022,564	3,273,730
School site administration	27,676,025	31,621,857	33,690,364
Pupil support services:			
Home-to-school transportation	11,027,619	13,171,099	14,678,624
Food services	237,385	1,398,535	2,121,803
All other pupil services	29,464,149	32,796,578	39,512,828
Ancillary services	2,451,364	2,400,676	2,702,135
Community services	426	379	2,583
General administration services:			
Data processing services	6,612,004	7,760,576	6,307,478
Other general administration	17,918,693	18,884,302	23,592,223
Transfers of indirect costs	(763,804)	(808,603)	(1,051,778)
Plant services	44,202,942	47,902,228	52,144,345
Capital outlay	4,241,877	5,304,274	4,187,523
Intergovernmental	1,025,619	1,006,443	1,207,539
Debt service:			
Principal	2,690,000	3,215,199	3,261,478
Interest	636,000	624,337	485,683
Total Expenditures	436,029,689	485,078,940	531,025,204
Excess of (Deficiency) of Revenues Over Expenditures	55,000,473	18,222,121	(47,644,025)
OTHER FINANCING SOURCES			
Interfund Transfers In	--	--	--
Interfund Transfers Out	(41,450)	(55,727)	--
Total Other Financing Sources (uses)	(41,450)	(55,727)	--
Net Change in Fund Balance	54,959,023	18,166,394	(47,644,025)
Fund Balance, July 1	129,854,943	184,813,966	216,611,994
Adjustments(1)	--	13,631,634	--
Restated Fund Balance	--	198,445,600	--
Fund Balance, June 30	$184,813,966	$216,611,994	$168,967,969

(1) Adjustment to recognize lease assets, liabilities and receivables at June 30, 2023 and adjustment to 2021-22 LCFF accrual.

* The fiscal year 2024-25 audit is expected to be presented to and accepted by the Board on February 11, 2026, and no changes are anticipated.

Source: Mt. Diablo Unified School District.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Contra Costa County Superintendent of Schools (the **"County Superintendent"**). The County Superintendent is separate from the County, and is not an official of the County.

The County Superintendent must review and approve, conditionally approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, if a budget is disapproved, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to assist the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable. This prohibition does not apply to voter-approved general obligation bonds. During the current 2025-26 fiscal year, the District's First Interim Report was certified as positive.

District Budget Approval/Disapproval and Certification History. In the past five fiscal years, the County Superintendent has approved each of the District's adopted budgets, and the District has certified each of its interim reports as positive; *except however*, the First and Second Interim Reports for fiscal year 2020-21, which were certified as qualified. The District's most recent interim report, the First Interim Report for fiscal year 2025-26, was certified as positive by the District Board on December 10, 2025.

As a result of the qualified interim reports during fiscal year 2020-21, the Fiscal Crisis and Management Assistance Team (**"FCMAT"**) was automatically engaged to perform a fiscal health risk analysis to determine the level of risk of insolvency. As a result of this assessment and recommendations which were included in a report dated July 29, 2021, the District worked to resolve areas and practices needing improvement particularly with a structural deficit, including program and staffing reductions and engaging a demographer to help in planning.

In the fiscal year 2025-26 Budget adopted on June 25, 2025, the District projected at that time deficit spending of $27.1 million. Multiyear projections available at the time reflected meeting the required three percent reserve for economic uncertainties for fiscal years 2025-26 and 2026-27, but not for fiscal year 2027-28, without reductions of $2.75 million in both fiscal years 2026-27 and 2027-28, respectively. To ensure long-term Budget stability, the budget noted a need to (1) align staffing and expenditures with enrollment trends and State funding projections, (2) monitor cost of living adjustments to ensure salary increased remain financially sustainable, and (3) track State and federal funding changes that may impact revenue streams and mandated expenditures.

More recently, in connection with the positive certification of the District's First Interim Report for fiscal year 2025-26 adopted on December 10, 2025, with respect to information as of October 31, 2025, updated multi-year projections were improved specifically for the projection regarding reserves in fiscal year 2027-28, and as a result, the District was able to certify the First Interim as positive.

As stated in the First Interim Report, updated multi-year projections show the District will maintain the three percent reserve for economic uncertainties for the current and next two fiscal years. However, the District as of the First Interim anticipates unrestricted deficits of $23.5 million in fiscal year 2025-26, $19.0 million in fiscal year 2026-27, and $15.9 million in fiscal year 2027-28, not yet including recently negotiated ongoing salary increases. These deficits are expected to increase as the fiscal year 2026-27 cost of living adjustment is finalized and the District's projections for fiscal year 2027-28 are updated. Despite these challenges, the District's budget, cash flow, and multiyear projections indicate it will meet its financial obligations for the current and two subsequent years.

As noted in the First Interim Report, local education agencies continue to face challenges including risks to the state revenue forecast, reduced ADA from higher student absences, rising health benefit costs, expiring one-time funds, and declining enrollment. Although state cash receipts are currently trending above projections, uncertainty remains mid-year. In addition, recent federal actions add further risk, and if there is a State budget deficit, this could result in requiring funding reductions to schools.

The District has made plans for reducing expenditures including right-sizing classrooms and related staffing, and eliminating certain non-essential contracts.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 1936 Carlotta Drive, Concord, California 94519: telephone (925) 682-8000. The District may impose charges for copying, mailing and handling.

[Remainder of Page Intentionally Left Blank]

General Fund for Fiscal Year 2025-26. The following table shows a summary of the general fund for fiscal year 2025-26 (Budgeted and First Interim Projections).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE(1)
Fiscal Year 2025-26 (Budgeted and First Interim Projections)
Mt. Diablo Unified School District

Revenues	Budgeted 2025-26	First Interim 2025-26
LCFF Revenues	$353,234,301	$354,990,956
Federal Revenues	18,214,976	20,966,111
Other State Revenues	82,517,448	89,374,316
Other Local Revenues	16,734,949	20,676,507
Total Revenues	470,701,674	486,007,891
Expenditures		
Certificated Salaries	195,889,034	199,884,862
Classified Salaries	76,833,350	77,471,797
Employee Benefits	150,976,400	153,404,865
Books and Supplies	16,383,738	25,895,712
Contract Services & Operating Exp.	74,833,543	85,325,096
Capital Outlay	584,214	402,069
Other Outgo (excluding indirect costs)	1,075,372	1,075,372
Other Outgo – Transfers of Indirect Costs	(1,551,494)	(1,122,690)
Total Expenditures	515,024,157	542,337,082
Excess of Revenues Over/(Under) Expenditures	(44,322,483)	(56,329,192)
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	--	--
Total Other Financing Sources (Uses)	--	--
Net change in fund balance(2)	(44,322,483)	(56,329,192)
Fund Balance, July 1	168,828,904	168,828,904
Fund Balance, June 30	$124,506,421	$112,499,712

(1) Columns may not sum to totals due to rounding.
(2) Due to recent salary negotiation settlements with employee bargaining units and some other factors, the District has a deficit for fiscal year 2025-26. However, the District has plans to proactively address the deficit spending with plans to right-size class sizes and corresponding FTE reductions and eliminating non-essential service contracts where identified. See "DISTRICT FINANCIAL INFORMATION – District Budget and Interim Financial Reporting – General Fund Fiscal Year 2025-26" for more information.
Source: Mt. Diablo Unified School District.

District Reserves. State-Required Reserve. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future.

The District notes in the 2025-26 Budget that the District's unrestricted deficit spending in recent years represents a deliberate and strategic use of fund balance, not a structural imbalance or sign of fiscal distress. As part of a multi-year fiscal strategy, the District made a conscious decision to spend down excess reserves accumulated in prior years, aligning with board priorities and educational goals. The District also plans to address deficit spending with class size updates and related FTE reductions and other cost-reduction measures. See also above under the heading "-District Budget and Interim Financial Reporting."

State Reserve Cap. Under State law (Education Code Section 42127.01), there are certain restrictions on the amount of reserves that can be maintained by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget shall not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in a fiscal year when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multi-year infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap was triggered in fiscal years 2022-23 and 2023-24 but was not triggered for fiscal year 2024-25 nor fiscal year 2025-26.

Attendance - LCFF Funding

LCFF Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula that considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth the District's funding trends from State sources since implementation of LCFF.

ADA AND LCFF FUNDING
Fiscal Years 2020-21 through 2025-26 (First Interim)
Mt. Diablo Unified School District

Fiscal Year	Funded ADA	Total LCFF Funding
2020-21	29,122	$273,739,162
2021-22	26,413	294,188,626
2022-23	26,586	308,423,367
2023-24	27,052	338,666,477
2024-25	27,444	338,675,447
2025-26*	27,613	354,990,956

*First Interim.
Source: Mt. Diablo Unified School District.

Unduplicated Pupil Count. The District's unduplicated pupil percentage (**"UPP"**) is 53% calculated using a three-year average, and its single-year UPP is projected to be 55.8% in fiscal year 2025-26.

Revenue Sources

The District categorizes general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between a district's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., a district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the LCFF amount before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including programs under Every Student Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

In January 2025, the federal government announced possible cuts to federal funding for educational agencies. President Trump has also signed an executive order aimed at terminating the United States Department of Education (the "**Department of Education**"). In a move which some pundits claim effectively terminates the Department of Education, the Supreme Court granted the Trump administration's request to temporarily pause an order by a lower federal judge that would have required the Department of Education to reinstate nearly 1,400 employees who were fired by President Trump's executive order. Furthermore, on July 1, 2025, President Trump announced that it would withhold $6.2 billion in grants already allocated to school districts to support English learners, $811 million of which was allocated for California schools. Shortly thereafter, on July 25, 2025, the Trump administration announced that it would release the withheld funds to schools in the following week. The District cannot predict the types of each of the possible federal funding cuts that may occur, the further extent of such cuts, if any, and the direct or indirect impact on the District's revenues or operations, if any, or any other consequences of the possible termination of the Department of Education. At this time, these actions are not expected to have a material impact on the District's finances or programs.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

Other Local Revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by either the District or the Underwriter.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. The plan is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. The benefit provisions and contribution amounts are established by State laws, as amended from time to time.

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013, however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

Assembly Bill 1469 was adopted as part of the State's fiscal year 2014-15 budget (**"AB 1469"**), aimed at fully funding the unfunded actuarial obligation of STRS with respect to service credited to member of STRS prior to July 1, 2014, within 32 years, by increasing contribution rates of members, K-14 school district employers, and the State. Under AB 1469, employer contributions were proposed to steadily increase over seven years. However, several modifications to the schedule were undertaken in connection with State budgets. Contribution rates for the past several years are summarized pursuant to the following schedule:

STRS EMPLOYER CONTRIBUTION RATES
Effective Dates of July 1, 2021 through July 1, 2025

Effective Date	Employer Contribution Rate
July 1, 2021	16.92%
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10
July 1, 2025	19.10

Source: STRS.

The State also continues to contribute to STRS, and its contribution rate in fiscal year 2023-24 was 8.328% and will be 8.328% in fiscal year 2024-25 and will remain at 8.328% in fiscal year 2025-26.

The District's recent contributions to STRS including the current budgeted fiscal year are set forth in the following table. These contributions represent 100% of the required contribution for each year.

STRS Contributions
Mt. Diablo Unified School District

Fiscal Year	Amount
2021-22	$25,445,548
2022-23	29,979,972
2023-24	32,486,505
2024-25	34,944,032
2025-26(1)	54,268,049

(1) First Interim. Budgeting documents include State on-behalf contributions. Prior years audited figures are net of State contributions and as such the figures are not directly comparable.
Source: Mt. Diablo Unified School District.

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately $88.7 billion, on a market value of assets basis, as of June 30, 2024, which is the date of the last actuarial valuation.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, employers are required to contribute an amount based on an actuarially determined employer rate, and employees make contributions which vary based on their date of hire.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. To address this issue, the PERS board has taken a number of actions, including changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates and adopting changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy incrementally lowering its discount rate (its assumed rate of investment return) in years of good investment returns, to help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. SB 90, and Assembly Bill 84/Senate Bill 111 (**"AB 84"**) of June 2020, directed contributions of $430 million and $330 million in satisfaction of portions of employer contribution rates in fiscal years 2020-21 and 2021-22, respectively. Recent employer contribution rates are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2021-22 through 2025-26(1)

Fiscal Year	Employer Contribution Rate(1)
2021-22	22.910%
2022-23	25.370
2023-24	26.680
2024-25	27.050
2025-26	26.810

(1) Expressed as a percentage of covered payroll.
Source: PERS.

The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS Contributions
Mt. Diablo Unified School District

Fiscal Year	Amount
2020-21	$10,095,538
2021-22	11,682,718
2022-23	14,721,484
2023-24	17,042,424
2024-25	20,049,658
2025-26(1)	19,962,814

(1) First Interim.
Source: Mt. Diablo Unified School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately $40.8 billion (on a market value of assets basis) as of June 30, 2024, which is the date of the last actuarial valuation.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information - STRS and PERS. Additional information regarding the District's retirement programs is available in Note 8 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Healthcare Benefits

The District provides Other Post-Employment Benefits (**"OPEB"**) in the form of a District healthcare benefit plan (the **"District Plan"**), and a Medicare Premium Payment (**"MPP"**) Program, both as described below.

The District Plan Generally. District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment healthcare plan. The District 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 District 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 District Plan. The Board of Education also retains the authority to establish the requirements for paying the District Plan benefits as they come due. As of June 30, 2025, the District has not accumulated assets in a qualified trust for the purpose of paying benefits related to the District's total OPEB liability, and the plan does not issue separate financial statements. Membership of the District Plan as of June 30, 2025 consisted of 1,485 retirees and beneficiaries receiving benefits and 3,818 active District Plan members.

Benefits Provided under the District Plan. In accordance with contracts between the District and the respective employee groups, eligible employees are entitled to receive certain medical benefits through the District 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 Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution through the retiree age 65. For continuation after the retirees age 65, the District's contribution is equal to the CalPERS minimum required contribution. All dental coverage ceases when the retiree attains or would have attained age 65. Coverage available under the District Plan varies between employee groups (classified, management and confidential, psychologists and supervisors). See Note 7 in APPENDIX B hereto.

Actuarial assumptions. The District had an actuarial valuation performed for fiscal year ending June 30, 2025. Changes in assumptions in the June 30, 2025 actuarial measurement reflected in the District's audited financial statements for the year ending June 30, 2025 include a change in discount rate. See Note 7 in APPENDIX B hereto.

Changes in Total OPEB Liability. The following table illustrates the District's OPEB liability and related ratios, as shown in the District's audited financial statements as of June 30, 2025, is as follows:

Mt. Diablo Unified School District
Changes in the Total OPEB Liability
June 30, 2024 to June 30, 2025

Beginning OPEB Liability at June 30, 2024	**$204,225,407**
Service Cost	10,993,510
Interest	8,108,225
Differences between expected and actual experience	17,190,732
Changes in assumptions	(28,866,008)
Benefit payments	(6,811,990)
Net changes in total OPEB liability	614,469
Ending OPEB Liability at June 30, 2025	**$204,839,876**

Source: Mt. Diablo Unified School District Audit Report.

OPEB Expense. For the year ended June 30, 2025, the District recognized an OPEB expense of $12,256,453.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 7 of APPENDIX B to the Official Statement.

MPP Program. The MPP Plan is a cost-sharing multiple employer OPEB plan administered by CalPERS. The MPP Program pays certain Medicare premiums and surcharges for eligible retirees. The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. As of June 30, 2025, the District reported a liability of $960,279 for its proportionate share of the net OPEB liability for the MPP Program. For more information about the MPP Program, see Note 7 of APPENDIX B to the Official Statement.

[Remainder of Page Intentionally Left Blank]

Long-Term District Debt

The District has never defaulted on the payment of principal or interest on any of its indebtedness.

General Obligation Bonds. The District has general obligation bonds currently outstanding, as summarized in the following table.

Summary of Outstanding General Obligation Bond Debt
Mt. Diablo Unified School District

Bond Issue	Date of Issue	Final Maturity	Original Principal Amount	Amount Outstanding January 15, 2026
2010 Measure C Bonds				
2010 Series B (Taxable NCREB)	09/30/2010	08/01/2027	$59,540,000	$12,325,000
2016 Series G	11/16/2016	08/01/2031	38,500,000	22,070,000
2018 Measure J Bonds				
Series B	04/06/2022	08/01/2042	$75,000,000	$59,075,000
Series C	05/22/2025	08/01/2042	55,000,000	55,000,000
Refunding Bonds				
2021 Series A	10/07/2021	08/01/2031	$28,270,000	$6,450,000
2022 Series B	05/05/2022	08/01/2037	147,145,000	123,450,000
2023 Refunding Bonds	05/04/2023	08/01/2031	36,450,000	34,130,000
2025 Refunding Bonds	05/22/2025	08/01/2035	82,595,000	80,915,000
Combined Totals:	**--**	**--**	**Total Outstanding:**	**$393,415,000**

Construction Loan. In February 2003, the Redevelopment Agency of the City of Pittsburg made an interest-free loan of $6,178,936 to the District to provide a portion of financing for the construction of an elementary school within the City of Pittsburg. The source of repayment is 24% of all impact fees collected annually by the District in the City of Pittsburg. The District makes semi-annual payments on June 1 and January 1 until the earlier of June 1, 2040 or when the loan is paid off. The loan balance at June 30, 2025, was $2,930,672.

Certificates of Participation. In October 2018, the District caused the execution and delivery of the 2018 COPs to finance the improvement of certain educational facilities of the District. The 2018 COPs are secured by lease payments which are payable from any source of available funds of the District, and includes a pledge of the Special Taxes. The 2018 COPs bear interest at 5.0% per annum, and mature through September 1, 2026. The balance as of January 15, 2026 is $3,295,000.

Prior to the issuance of the Certificates, the District plans on depositing in the related lease payment fund all remaining debt service required for the 2018 COPs. As such the 2018 COPs will be fully prepaid and terminated prior to issuance of the Certificates.

Lease Liabilities. The District has entered into various equipment leases. As of June 30, 2025, the District recognized a right-to-use lease asset, net of amortization, of $2,771,040 and a lease liability of $2,866,546 related to those leases. The District is required to make principal and interest payments through January 2029. Outstanding principal as of June 30, 2025 was $2,866,546. See Note 6 of APPENDIX B to the Official Statement for more details.

Supplemental Employee Retirement Plan. Effective July 2020, the District established a Supplemental Employee Retirement Plan (**"SERP"**) for certain qualifying employees. Under the terms of the SERP, the District will make annual contributions of $1,733,320 to the plan for the future benefits to be paid to qualifying employees. Payments are made equally over a period of five fiscal years, for a total obligation of $8,666,600. At June 30, 2025, the outstanding balance of future District contributions was $0.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Contra Costa County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See "APPENDIX G - CONTRA COSTA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT."

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—Education Funding Generally" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" below.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

*The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the **"LAO"**). Neither the District, the Underwriter nor the County are responsible for the information provided in this section.*

State Budgeting for Education Generally

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State's general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The Budget Process

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Available Public Resources

Certain information about the State budgeting process and the State budget is available through several State sources. Convenient sources of information include:

- www.treasurer.ca.gov: The California State Treasurer internet home page, under the link to "Bond Finance" and sub-heading "-Public Finance Division", includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.

- www.dof.ca.gov: The California Department of Finance's (the **"DOF"**) internet home page, under the link to "California Budget", includes the text of proposed and adopted State Budgets.

- www.lao.ca.gov: The LAO's internet home page includes a link to "-The Budget" which includes analyses and commentary on fiscal outlooks.

The above references to internet websites shown are shown for reference and convenience only. The information contained within the websites may include outdated information and has not been reviewed for accuracy by the District or the Underwriter. Such information is not incorporated herein by reference.

The 2025-26 State Budget

The 2025-26 State Budget. On June 27, 2025, the Governor signed the fiscal year 2025-26 State Budget (the "**2025-26 State Budget**"). Despite continued uncertainty driven by recent federal policy changes, including broad-based tariffs that have slowed economic growth, the 2025-26 State Budget outlines a balanced fiscal plan while maintaining significant reserves.

The 2025-26 State Budget reflects a decrease of $11.0 billion in General Fund revenues from fiscal year 2024-25 ($215.7 billion in fiscal year 2025-26 compared to $226.7 billion in fiscal year 2024-25) primarily due to projected decreases in corporation and personal income tax collections. The 2025-26 State Budget reflects a decrease in General Fund expenditures of $5.2 billion from fiscal year 2024-25 ($228.4 billion in fiscal year 2025-26 compared to $233.5 billion in fiscal year 2024-25) primarily reflecting broad spending decreases for all major spending categories with the exception of expenditures for health and human services, which sees a significant funding increase driven by the expansion of Medi-Cal.

Regarding the State's reserves and fund balances, the 2025-26 State Budget continues the drawing down of the State's Budget Stabilization account that began in fiscal year 2024-25 with a withdrawal of $7.1 billion and completes the drawdown of the Public School System Stabilization Account with a withdrawal of the remaining $0.4 billion.

The 2025-26 State Budget projects an $11.8 billion General Fund shortfall after accounting for reserves drawdowns, driven by rising costs due to growth in Medi-Cal and other core State programs. The 2025-26 State Budget addresses the shortfall primarily through spending reductions and structural reforms, while maintaining support for key programs. The specific solutions used to close the budget gap include the following:

- *Medi-Cal Enrollment Freeze* - $77.9 million reduction in fiscal year 2025-26, increasing to $3.3 billion by fiscal year 2028-29.

- *Medi-Cal Premium Collection For Certain Adults* – Initial cost of $30 million in fiscal year 2026-27, shifting to $675 million in savings in fiscal year 2028-29 due to collection of Medi-Cal premiums from undocumented adults.

- *Medi-Cal Asset Limit Implementation* – $61.3 million in fiscal year 2025-26, rising to $827.4 million by fiscal year 2028-29.

- *Programmatic Reductions* – Reductions in rural health clinics, specialty drug coverage, and pharmacy rebates totaling over $3.5 billion by fiscal year 2028-29.

- *Ongoing Reductions* – $221.7 million annually beginning in fiscal year 2026-27 for Quality Incentive Payment Program changes.

The 2025-26 State Budget raises an estimated $7.8 billion in additional resources, including $1.3 billion from Medi-Cal rate increase in fiscal year 2025-26, $4.4 billion in loans from the Medical Providers Interim Payment Fund, $1.5 billion in loans from additional special funds and interfund borrowing, and a $7.1 billion withdrawal from the Budget Stabilization Account, as authorized by the prior fiscal year.

Additional balancing measures comprise $1.2 billion in funding shifts primarily related to the costs of CalFIRE operations moving from the General Fund to the Greenhouse Reduction Fund for Forestry and Fire Protection. The 2025-26 State Budget also makes two future commitments (subject to appropriation) totaling $457.1 million in fiscal year 2027-28, growing to $163.2 million in fiscal year 2028-29, for California Food Assistance Program expansion and $338.9 million in fiscal year 2027-28, growing to $522.1 million in fiscal year 2028-29, for payment to the State's foster care tiered rate structure.

The 2025-26 State Budget projects total resources available in fiscal year 2024-25 of approximately $268.7 billion, including revenues and transfers of approximately $226.7 billion and a prior year balance of approximately $42.0 billion, and total expenditures in fiscal year 2024-25 of approximately $233.6 billion. The 2025-26 State Budget projects total resources available for fiscal year 2025-26 of approximately $250.9 billion, inclusive of revenues and transfers of approximately $215.7 billion and a prior year balance of approximately $35.1 billion. The 2025-26 State Budget projects total expenditures in fiscal year 2025-26 of approximately $228.4 billion, inclusive of non-Proposition 98 expenditures of approximately $147.6 billion and Proposition 98 expenditures of approximately $80.7 billion. The 2025-26 State Budget projects total reserve balances of $15.7 billion at the end of fiscal year 2025-26. This includes $11.2 billion in the State Rainy Day Fund, $4.5 billion in the State's SFEU, and $0 in the Proposition 98 Rainy Day Fund. The 2025-26 State Budget includes total funding of $137.6 billion for all K-12 education programs, including $80.5 billion from the State's general fund and $57.1 billion from other funds. The 2025-26 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2025-26 State Budget include:

Proposition 98 Minimum Guarantee. The 2025-26 State Budget reflects updated estimates of general fund revenues, which result in adjustments to the Proposition 98 minimum guarantee. The revised minimum guarantee for TK-14 schools is estimated at $98.5 billion for 2023-24, $119.9 billion for 2024-25, and $114.6 billion for 2025-26, an increase of approximately $3.9 billion over the three-year period relative to the 2023-24 State Budget. Because the minimum guarantee for 2024-25 will not be finalized until the fiscal year is certified in calendar year 2026, the 2025-26 State Budget proactively appropriates the 2024-25 minimum guarantee at $118 billion, establishing a $1.9 billion "settle up" to avoid over-appropriation. The 2025-26 State Budget expresses intent to apply any realized settle-up funds toward reducing ongoing TK-14 deferrals and safeguarding core program funding for school districts and community colleges, including funding for growth and cost-of-living adjustments.

The minimum guarantee remains in a Test 2 for 2023-24, though suspended at $98.5 billion, and shifts to a Test 1 in both 2024-25 and 2025-26. In Test 1 years, the guarantee equals approximately 40 percent of general fund revenues, in addition to local property tax revenues. Under Proposition 98, this calculation is not adjusted for enrollment, which results in increased per-pupil funding. The guarantee is "rebenched" to reflect both the continued implementation of universal TK and property tax backfills resulting from the January 2025 wildfires in Los Angeles County. As a result, the applicable Test 1 percentage increases from 39.2 percent to 39.6 percent of general fund revenues.

Proposition 98 Rainy Day Fund. The 2025-26 State Budget maintains the full withdrawal of the $8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24. The May Revision to the 2024-25 State Budget Proposal, released on May 10, 2024, included a mandatory deposit of $540 million into the Rainy Day Fund. However, revised capital gains revenue projections reduce that deposit to $455 million in fiscal year 2024-25. A year-over-year decrease in the Proposition 98 minimum guarantee triggers a mandatory withdrawal of $455 million in fiscal year 2025-26, fully exhausting the remaining fund balance.

Proposition 98 Funding Split. In prior years, 10.93 percent of the general fund amounts rebenched into the Proposition 98 minimum guarantee for transitional kindergarten expansion were allocated to the community colleges budget, consistent with the statutory Proposition 98 funding split. Over the three-year budget window, this resulted in $492.4 million being directed to community colleges, leaving TK-12 schools without an equivalent amount to support transitional kindergarten expansion. Beginning in fiscal year 2025-26, the 2025-26 State Budget shifts the full amount of transitional kindergarten expansion funding ($232.9 million) to the TK-12 portion of the Proposition 98 budget.

Local Control Funding Formula. The 2025-26 State Budget includes a 2.3 percent cost-of-living adjustment to LCFF. Combined with population growth adjustments, this results in an additional $2.1 billion in discretionary funding for local educational agencies ("**LEAs**") relative to the 2024-25 State Budget. To fully fund LCFF costs in fiscal year 2025-26, the 2025-26 State Budget withdraws approximately $405.3 million from the Proposition 98 Rainy Day Fund.

Deferrals. The 2025-26 State Budget fully repays $246.6 million in TK-12 education deferrals from fiscal year 2024-25. However, in order to maintain principal apportionment levels in 2025-26, the 2025-26 State Budget defers $1.9 billion in LCFF funding from June 2026 to July 2026.

Universal Transitional Kindergarten. To support full implementation of universal transitional kindergarten by September 1, 2025, the 2025-26 State Budget provides $2.1 billion in ongoing Proposition 98 general fund resources, inclusive of all prior years' investments. An additional $1.2 billion in ongoing Proposition 98 general fund resources is included to reduce the average student-to-adult ratio from 12:1 to 10:1.

Before School, After School, and Summer School. To increase access to the Expanded Learning Opportunities Program, the 2025-26 State Budget provides $515.1 million in ongoing funds, broadening eligibility from LEAs with a 75 percent unduplicated pupil rate to those with a 55 percent rate. Additionally, $10.4 million is provided to increase the minimum grant per LEA from $50,000 to $100,000.

Literacy Instruction. The 2025-26 State Budget allocates $480 million to enhance literacy instruction aligned with the English Language Arts/English Language Development Framework for all students.

Teacher Professional Development and Preparation. To support teachers and strengthen the educator pipeline, the 2025-26 State Budget provides $300 million in one-time Proposition 98 general fund resources for a Student Teacher Stipend Program, which will offer grants to teacher candidates completing student teaching between 2026-27 and 2028-29. An additional $70 million of one-time Proposition 98 general fund resources supports teacher residency programs, and $30 million in one-time Proposition 98 general fund resources extends the National Board Certification Incentive Program to encourage placement of certified teachers in high-poverty schools.

Student Support and Professional Development Discretionary Block Grant. The 2025-26 State Budget provides $1.7 billion in one-time Proposition 98 general fund resources for the Student Support and Professional Development Discretionary Block Grant to assist LEAs with rising costs and advancing statewide priorities.

State Preschool Program. To enhance early childhood education, the 2025-26 State Budget includes approximately $19.3 million of Proposition 98 general fund resources and $10.2 million in non-Proposition 98 general fund resources for the California State Preschool Program. It further authorizes the Department of Education to expand State Preschool Program provider contracts for three-year-olds by 10 percent, implement prospective pay, and automate contract payments.

Other Significant Budget Adjustments. The 2025-26 State Budget includes $378.6 million in one-time Proposition 98 general fund resources for learning recovery initiatives through 2027-28, $150 million for career technical education and pathways programs pending legislation, and $145 to improve school meal infrastructure. An additional $10 million is allocated for school food service workforce requirement and $5 million for a study of ultra-processed foods offered in State school meals.

Further allocations include $30 million over three years for Special Olympics programs in Northern and Southern California; $30 million for the Mathematics Professional Learning Partnership; $21.9 million in ongoing funding for the SUN Bucks Program, which provides summer nutrition support; and $20 million to implement the Children and Youth Behavioral Health Initiative's all-payer fee schedule.

The 2025-26 State Budget also provides approximately $10 million for a pilot program, administered by the California Collaborative of Educational Excellence, to support middle and high school redesign and peer learning. Another $10 million to the California Department of Education supports the development of a screener to identify multilingual learners in transitional kindergarten and authorizes the State Superintendent of Public Instruction to adopt a screening instrument for children ages 3-4 enrolled in transitional kindergarten classrooms. Finally, $7.5 million is available through the 2026-27 fiscal year to offset potential LCFF apportionment reductions caused by the recent exemption of transitional kindergarten students from the English language proficiency assessment.

For the full text of the 2025-26 State Budget, see the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

LAO Analysis of the 2025-26 State Budget. The LAO, a nonpartisan State office which provides fiscal and policy information and advice to the State legislature, released its report on the 2025-26 State Budget entitled "The 2025-26 Budget: Overview of the Spending Plan" on October 16, 2025 (the **"2025-26 State Budget Analysis"**). In the 2025-26 State Budget Analysis, the LAO assesses the budget shortfall that was addressed in the 2025-26 State Budget and analyzes the major proposals for K-14 education.

The LAO notes that the State faced a budget shortfall for the third year in a row requiring the State to adopt more ongoing solutions. The estimated budget shortfall was $15.0 billion, which was smaller compared to deficits of $55.0 billion in fiscal year 2024-25 and $27.0 billion in fiscal year 2023-24. The LAO notes that part of the reason the State continued to face a budget problem is that the underlying costs of State services continue to outpace the State's revenue collections. In particular, despite higher revenues in major taxes, about $4 billion of the budget problem results from new, discretionary General Fund spending in the budget package, as well as some budget actions adopted in a special session. The measures approved in the special session provided funding for (1) response and recovery costs related to the January 2025 Southern California wildfires and (2) activities to address federal government actions impacting the State.

The LAO notes that the 2025-26 State Budget uses various maneuvers to address the budget shortfall, including reserve withdrawals, spending reductions, revenue increases, and borrowing (for example, loaning money from other funds to the General Fund). However, the LAO indicates that the 2025-26 State Budget primarily relies on borrowing to close the gap, which accounts for $10.0 billion and approximately two-thirds of the total solutions. This borrowing increases the total outstanding budgetary borrowing from $12.0 billion to $22.0 billion. The LAO notes that this borrowing is similar to the measures used during the Great Recession of 2008. After borrowing, spending-related solutions, including both spending reductions and fund shifts, total $5.0 billion and represent nearly all of the remaining one-third of the total solutions. Revenue-related solutions, totaling about $300.0 million, represent the small remainder. The LAO notes that while the State is also making a $7.1 billion withdrawal from the State Rainy Day Fund (also known as the Budget Stabilization Account) in fiscal year 2025-26, this withdrawal was not reflected in the 2025-26 State Budget Analysis because it was authorized last year in the 2024-25 State Budget.

The LAO notes that while the 2025-26 State Budget partially addresses the State's multi-year deficits, it expects budget deficits to persist. Based on the State's June 2025 projections and assumptions, annual operating deficits are projected to range from roughly $15 billion to $25 billion throughout the outlook period (i.e., 2026-27 through 2028-29), which would need to be addressed by the Legislature. The LAO notes, however, that these multi-year estimates are subject to considerable uncertainty and should be interpreted cautiously.

In summarizing the overall condition of the General Fund budget, the condition of the school and community college budget and State appropriations limits, as estimated by the administration, the LAO notes the following: (1) the State's reserves total nearly $16 billion at the end of fiscal year 2025-26, with the state reserve for schools and community colleges fully withdrawn by the end of fiscal year 2025-26; (2) the State expects revenues from major tax sources to grow 10.0% from fiscal year 2023-24 to fiscal year 2024-25, however the 2025-26 State Budget also projects revenues from said tax sources to decrease by 15.0% from fiscal year 2024-25 to fiscal year 2025-26; and (3) federal funding is expected to remain flat between 2024-25 and 2025-26 but the 2025-26 State Budget projections do not include any potential effects of House Resolution 1: One Big Beautiful Bill Act, which was signed by President Trump on July 4, 2025.

The LAO indicates that the 2025-26 State Budget reduces spending in fiscal year 2025-26 by deferring $2.3 billion in payments to fiscal year 2026-27, of which $1.9 billion pertains to schools. The State will implement this school funding deferral by shifting a portion of the June 2026 payment to July 2026. School districts and charter schools that can demonstrate the delay would make them unable to meet their financial obligations are exempt from the deferral. The remaining $408.0 million in deferrals pertain to community colleges, moving payments from May and June 2026 to July 2026. The purpose of these deferrals is to free up funding for additional one-time and ongoing spending that would otherwise exceed the available Proposition 98 funding in fiscal year 2025-26.

The foregoing is only a summary of certain provisions of the 2025-26 State Budget Analysis. For the full text, see the LAO website at www.lao.ca.gov. The *references to these Internet websites are shown for reference and convenience only and the* information *contained on* such *websites* is not incorporated by reference *into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness*.

Disclaimer Regarding State Budgets. The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2025-26 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the Owners of the Certificates to provide State Budget information to the District or the owners of the Certificates. Although the sources of information provided herein are known to be reliable, neither the District nor the Underwriter assume any responsibility for the accuracy of the budget information set forth or referred to in this Official Statement or incorporated herein.

The 2026-27 State Budget Proposal

The Governor sent the fiscal year 2026-27 budget proposal to the legislature on January 9, 2026 (the "**2026-27 State Budget Proposal**"). While, the 2026-27 State Budget Proposal presents a balanced budget, with a discretionary reserve of $4.5 billion, it projects a deficit of roughly $22 billion in the 2027-28 fiscal year and budget shortfalls in the two years following. A stronger-than-anticipated performance of the stock market and cash receipts, combined with an improved economic outlook, are noted as contributors to an upgraded revenue forecast, with General Fund revenues, before accounting for transfers and tax policy proposals, projected to be higher by approximately $4.5 billion than was assumed in the 2025-26 State Budget for the three-year budget window of fiscal years 2024-25 through 2026-27. However, the proposal warns that the revenue increase is largely attributable to a small number of technology companies and cannot be sustained indefinitely at high levels. It also warned of federal policy changes, including House of Representatives 1 of 2025 which is projected to result in costs of $1.4 billion to the General Fund in fiscal year 2026-27, and unpredictable future federal policies that might negatively impact tariffs, immigration, inflation, investments, the labor market and overall demand.

The 2026-27 State Budget Proposal provides for $248.3 billion in general fund spending and nearly $23 billion in combined reserves—including nearly $14.4 billion in the State's Rainy Day Fund and an additional discretionary set-aside of $4.5 billion in the Special Fund for Economic Uncertainties and $4.1 billion in the Public School System Stabilization Account. Although the proposal is noted as balanced, it anticipates shortfalls in subsequent fiscal years that are driven by expenditures exceeding revenues, promising additional decisions at the May Revision to maintain a balanced budget in the coming years. Noted risk factors relating to the economy and State revenues include stock market and asset price volatility and declines, particularly those affecting high-income earners - as well as unpredictable federal policies.

Certain budgeted programs and adjustments for TK-12 education set forth in the 2026-27 State Budget Proposal include Proposition 98 funding for K-14 schools set at $125.5 billion for 2026-27 (although some funding is subject to settle-up), and a LCFF cost-of-living adjustment of 2.41%. It also proposes the repayment of around $1.9 billion in previous funding deferrals to improve school cash flow. The proposal also reflects continued support of implementation of universal transitional kindergarten, and ongoing support for before-, during-, and after-school programs through the Expanded Learning Opportunity Program. The 2026-27 State Budget Proposal would also allocate an additional $215 million to build on previous investments in the Literacy Coaches and Reading Specialists Grant Program.

Significantly, the 2026-27 State Budget Proposal proposes to implement recommendations of the Legislature's 2002 report, California's Master Plan for Education, by moving oversight of California's education system and ultimate responsibility for state oversight and support of local educational agencies for the Department of Education to the executive branch, greatly enhancing the role of the State Superintendent.

The May Revision will be released by the Governor around May 14, 2026 and will update the budget proposal with revised economic and revenue outlooks and other estimates and assumptions, and may contain modifications to or removal of policy initiatives included in the 2026-27 State Budget Proposal.

For the full text of the 2026-27 State Budget Proposal, see the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

LAO Analysis of the 2026-27 State Budget Proposal

The LAO released its overview and initial analysis of the 2026-27 State Budget Proposal on January 10, 2026 (the "**2026-27 LAO Analysis**"). The 2026-27 LAO Analysis concludes that, under the Governor's assumptions, the budget is roughly balanced, reflecting an estimated deficit of approximately $3 billion. This represents an improvement compared with the LAO's November Fiscal Outlook, which projected a budget deficit of approximately $18 billion. The LAO attributes the State's substantially higher revenue forecast to two factors: first, the proposal does not incorporate the significant risk of a stock market downturn; and second, higher projected revenues are partially offset by increased baseline spending, including constitutionally required expenditures and growing program costs.

The LAO identifies stock market volatility as the most significant risk to the State's revenue outlook. The analysis notes that several historically reliable indicators suggest equity markets are overheated and at elevated risk of a downturn within the next year or two. A market correction would materially reduce personal income tax revenues and could quickly worsen the State's fiscal position. The LAO cautions that failing to incorporate this downside risk into the 2026-27 State Budget Proposal places the State on precarious fiscal footing, particularly given that the proposal is only marginally balanced even under optimistic revenue assumptions.

Both the 2026-27 LAO Analysis and the 2026-27 State Budget Proposal project persistent multiyear operating deficits. The LAO estimates that annual deficits could range between approximately $20 billion to $35 billion, while the 2026-27 State Budget Proposal projects operating deficits of roughly $27 billion in fiscal year 2027-28, $22 billion in fiscal year 2028-29, and $23 billion in fiscal year 2029-30. The LAO characterizes these deficits as structural rather than cyclical, noting that deficits have persisted despite economic growth and rising revenue in addition to the State already addressing a cumulative $125 billion in budget problems over recent years. The LAO expresses concern that the State's fiscal challenges have become chronic and raise significant questions concerning long-term fiscal sustainability.

The LAO acknowledges that the State recognizes the risks associated with revenue volatility and multiyear structural deficits, but concludes that the 2026-27 State Budget Proposal does not materially address either challenge. The LAO recommends that the Legislature explicitly recognize downside revenue risk by adopting the LAO's more conservative revenue forecast, maintain required reserve deposits, set aside funds associated with delayed settle-up obligations into reserves rather than using them for ongoing commitments, and adopt a multiyear plan to reduce at least half of projected structural deficits through ongoing budget solutions. The LAO cautions that delaying corrective action until further budget cycles increases fiscal risk and limits the Legislature's ability to implement deliberate and sustainable solutions.

The 2026-27 LAO Analysis is available on the LAO website at www.lao.ca.gov. *The* *references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory provisions relating to education funding in the State has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto, and how such events could impact the District and its finances.

PROPERTY TAXATION

School districts in the State derive some of their operating revenues from their share of local property taxes. The Certificates are secured by Lease Payments to be budgeted and appropriated annually from the District's general fund, and not from the levy and collection of property taxes.

Property Tax Collection Procedures

Generally. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county in which the property is located.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, Senate Bill 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the local superior court clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict whether future amendments or orders will occur and what impact, if any, said future amendments or orders could have on the procedures relating to the levy and collection of property taxes, and related interest and penalties.

Assessed Valuations

Generally. The assessed valuation of property in the District is established by the Assessor of the County, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Assessed Valuation History. The table below shows a recent history of the District's assessed valuation.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Year 2010-11 through Fiscal Year 2025-26

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2010-11	$28,924,776,672	$7,279,811	$974,038,398	$29,906,094,881	--%
2011-12	28,609,334,442	6,768,296	934,855,683	29,550,958,421	(1.19)
2012-13	27,968,639,633	6,768,296	912,822,483	28,888,230,412	(2.24)
2013-14	29,445,989,430	5,332,256	885,862,726	30,337,184,412	5.02
2014-15	32,106,950,096	5,221,838	922,809,547	33,034,981,481	8.89
2015-16	34,400,962,547	5,221,838	969,180,826	35,375,365,211	7.08
2016-17	36,236,051,218	1,407,638	994,773,478	37,232,232,334	5.25
2017-18	38,234,525,030	1,397,638	1,108,253,137	39,344,175,805	5.67
2018-19	40,625,429,907	7,000,667	1,266,540,483	41,898,971,057	6.49
2019-20	42,860,000,266	6,885,667	1,318,638,471	44,185,524,404	5.46
2020-21	44,840,172,454	6,875,667	1,385,131,127	46,232,179,248	4.63
2021-22	46,212,156,318	6,815,667	1,523,102,664	47,742,074,649	3.27
2022-23	49,693,940,588	10,813,958	1,607,405,189	51,312,159,735	7.48
2023-24	52,124,568,601	10,043,958	2,859,878,371	54,994,490,930	7.18
2024-25	53,591,857,102	10,118,958	2,615,991,747	56,217,967,807	2.22*
2025-26	55,667,555,853	10,293,958	2,749,539,105	58,427,388,916	3.93

*In 2024-25 office building space assessed value in the District declined by 26% from the prior year, which is largely attributed to a reduction in demand for large office building space, related property sales and reassessments including unilateral reassessments by the County Assessor.
Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. Economic Conditions; Disasters. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters which include but are not limited to earthquakes, fires/wildfires, floods, drought, mudslides and the consequences of climate change such as heat waves, droughts, extreme winds events, sea level rise and floods, which could have an impact on assessed values. The State including the region in which the District is located, has in recent years experienced significant natural disasters such as earthquakes, droughts, mudslides, wildfires and floods. Climate change can also cause hazards such as heat waves, droughts and floods, which could have an impact on assessed values. Fault lines are also located throughout the State causing seismic activity including in the vicinity of the District. Public health disasters such as the COVID-19 pandemic could also have direct and indirect impacts on economic conditions and property values.

Future Conditions Unknown. The District cannot predict or make any representations regarding the effects that prolonged droughts or wildfires or any other type of natural or manmade disasters, including a pandemic, and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Top Twenty Property Taxpayers

The 20 taxpayers in the District with the greatest combined assessed valuation of taxable property on the most recent tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Largest Fiscal Year 2025-26 Local Secured Taxpayers

	Property Owner	Primary Land Use	2025-26 Assessed Valuation	% of Total (1)
1.	Tesoro Refining & Marketing Co.	Heavy Industrial	$471,527,752	0.85%
2.	Taubman Land Associates LLC	Regional Mall	250,678,879	0.45
3.	Concord Centercal Owner LLC	Shopping Center	200,000,000	0.36
4.	Viamonte Senior Living 1 Inc.	Assisted Living	177,112,702	0.32
5.	Renaissance Res Holdings LLC	Apartments	136,042,694	0.24
6.	Sequoia Equities-Concord PC	Apartments	130,835,278	0.24
7.	Gonsalves & Santucci Inc.	Industrial	124,108,536	0.22
8.	PH Crescent Drive Investors	Shopping Center	122,138,579	0.22
9.	Willows Center Concord	Shopping Center	122,000,000	0.22
10.	HM Grant Street LLC	Apartments	120,757,093	0.22
11.	Clayton Station Shopping Center	Shopping Center	114,827,878	0.21
12.	Park Regency Partners	Apartments	111,252,730	0.20
13.	Shadelands Park LLC	Shopping Center	109,662,927	0.20
14.	Gemdale 85 Cleveland Road LLC	Apartments	96,572,039	0.17
15.	IMT Capital IV Pleasant Hill	Apartments	93,401,293	0.17
16.	San Marco Properties LLC	Apartments	92,773,376	0.17
17.	235 Camelback LLC	Apartments	87,187,300	0.16
18.	FW CA PH Shopping Center LLC	Shopping Center	79,005,334	0.14
19.	Concord Tech Center Property Owner	Office Building	75,002,291	0.13
20.	MLVI Park Lake Apartments LLC	Apartments	73,668,617	0.13
			$2,788,555,298	5.01%

(1) Fiscal year 2025-26 local secured assessed valuation: $55,667,555,853.
Source: California Municipal Statistics, Inc.

Teeter Plan; Property Tax Collections

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The County's Teeter Plan currently covers the one percent general fund apportionment levy, and also other *ad valorem* taxes, such as those levied to repay the general obligation bonds of the District. The plan also includes special assessments/direct charges, as long as the taxing entity is a Teeter participant.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The current practice of the County under the Teeter Plan is to pay the District 100% of the *ad valorem* property taxes and other property taxes payable annually to the District in connection with general obligation bond indebtedness, indebtedness pursuant to certificates of participation or other lease obligations secured by special taxes, and to retain any penalties or delinquencies collected to offset such gross payment. In addition, the District cannot predict the impact, if any, that changes or modifications to property tax collection procedures might have on the County's Teeter Plan.

Finally, the ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster.

There can be no assurances that the County will continue the Teeter Plan in the future, or that the County will not discontinue the Teeter Plan or remove the District from the Teeter Plan in the future.

Notwithstanding the operation of the Teeter Plan, below is a summary of recent secured tax charges and delinquencies in the District for property taxes levied to repay outstanding general obligation bonds of the District.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2019-20 through 2024-25

Tax Year	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2019-20	$38,566,273	$286,604	0.74%
2020-21	40,515,712	322,381	0.80
2021-22	41,298,811	301,543	0.73
2022-23	39,926,302	338,213	0.85
2023-24	36,767,131	406,411	1.11
2024-25	36,737,650	303,904	0.83

(1) District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of November 1, 2025. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

MT. DIABLO UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of November 1, 2025)

2025-26 Assessed Valuation: $58,427,388,916

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/25
Bay Area Rapid Transit District	5.405%	$159,285,891
Contra Costa Community College District	20.133	113,462,541
Mount Diablo Unified School District General Obligation Bonds	**100.000**	**393,415,000**
Mount Diablo Unified School District Certificates of Participation	**100.000**	**3,295,000**(1)
East Bay Regional Park District	8.379	11,408,009
Pleasant Hill Recreation and Park District	88.448	17,048,352
City of Martinez	38.161	8,158,822
City of Pittsburg Community Facilities District No. 2005-2	100.000	5,745,000
California Statewide Community Development Authority Assessment District No. 22-01	100.000	1,685,000
1915 Act Bonds (Estimated)	Various	1,650,024
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$715,153,639
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	20.070%	$30,274,592
City of Concord General Fund Obligations	100.000	94,630,000
City of Martinez General Fund Obligations	38.161	7,021,624
City of Pleasant Hill General Fund Obligations	100.000	16,354,706
City of Pittsburg Pension Obligation Bonds	24.091	5,487,000
City of Walnut Creek General Fund Obligations	40.004	318,461
Pleasant Hill Recreation and Park District Certificates of Participation	88.448	3,860,755
Contra Costa Mosquito and Vector Control District General Fund Obligations	20.070	1,550,446
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$159,497,584
Less: Contra Costa County Obligations supported by revenue funds		6,891,662
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$152,605,922
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$45,747,891
GROSS COMBINED TOTAL DEBT		$920,399,114(2)
NET COMBINED TOTAL DEBT		$913,507,452

Ratios to 2025-26 Assessed Valuation:

Direct Debt ($396,710,000)(3)...0.68%
Total Direct and Overlapping Tax and Assessment Debt 1.22%
Gross Combined Total Debt 1.58%
Net Combined Total Debt 1.56%

Ratios to 2025-26 Redevelopment Incremental Valuation ($8,256,190,185):

Total Overlapping Tax Increment Debt 0.55%

(1) Excludes the Certificates to be sold but includes the 2018 COPs, which will be no longer outstanding at the time of delivery of the Certificates. The District intends to use Special Taxes collected from the District's Community Facilities District No. 1 to pay debt service on the Certificates.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
(3) Includes Certificates of Participation.
Source: California Municipal Statistics, Inc.

COUNTY INVESTMENT POOL

In accordance with Government Code Section 53600 *et seq*., the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See APPENDIX G hereto for a copy of the County's Investment Policy and Investment Report.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, (b) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (c) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the District, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004, a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB (**"Article XIIIB"**) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the District may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (**"unitary property"**). Under the State Constitution, such property is assessed by the State Board of Equalization (**"SBE"**) as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIIIC and XIIID

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, **"Article XIIIC"** and **"Article XIIID"**), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections , and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (e) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the property tax revenues available to pay debt service on the Certificates.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K 14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K 14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" (**"Proposition 111"**) which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of State general fund revenues (the **"first test"**) or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the **"second test"**). Under Proposition 111, schools will receive the greater of (a) the first test, (b) the second test, or (c) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the **"third test"**). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as **"Proposition 39"**) to the California Constitution. This amendment (a) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (b) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (a) any local government debts approved by the voters prior to July 1, 1978 or (b) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (a) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (b) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (c) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (d) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment, also known as **"Proposition 30"**, temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases for such period the marginal personal income tax rate by: (a) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head of household filers and over $500,000 but less than $600,000 for joint filers), (b) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head of household filers and over $600,000 but less than $1,000,000 for joint filers), and (c) 3% for taxable income over $500,000 for single filers (over $680,000 for head of household filers and over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through the end of 2030, instead of the scheduled expiration date of December 31, 2018. The extensions did not apply to the sales tax and excise taxes imposed by Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (**"Proposition 19"**), which amends Article XIIIA to (i) expand as of April 1, 2021 special rules that govern the transfer of a residential property's tax base value to a replacement residence for homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home anywhere within the State, (ii) narrows as of February 16, 2021 existing special rules for the valuation of inherited real property due to a transfer between family members, and (iii) allocates most resulting State revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes. The District cannot predict whether the implementation of Proposition 19 will increase, decrease or have no overall impact on the District's assessed values.

Proposition 2 (2024)

The Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair and Safety Bond Act of 2024, also known as "Proposition 2", was approved by State voters at the November 5, 2024 statewide election, and authorizes the sale and issuance of $10 billion in State general obligation bonds for the repair, upgrade and construction of facilities at K-12 public schools (including charter schools), community colleges and career technical education programs, including the improvement of health and safety conditions and classroom upgrades.

Proposition 2 includes $3.3 billion for the construction of new K-12 facilities and an additional $4 billion for the modernization of existing K-12 facilities. Up to 10% of the allocation for new constructions and modernization will be reserved for school districts with an enrollment of fewer than 2,501 students. Of the $4 billion assigned for modernization of existing K-12 facilities, up to $115 million will be allocated for the remediation of lead in water at school facilities. Generally, K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. However, some districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of $1.2 billion will be available for the modernization and new construction of charter school facilities ($600 million) and technical education facilities ($600 million). The State will award funds to technical education and charter school through an application process, and charter schools must be deemed financially sound before project approval.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, or the effectiveness of any remedies that the Trustee may have or circumstances under which Lease Payments may be abated.

General Fund Obligation

The Lease Payments and other payments due under the Lease Agreement are not secured by any pledge of taxes or other revenues of the District, except the Special Taxes described herein and as further described below. Other than available Special Taxes, the Lease Payments are secured by a District covenant to annually budget and appropriate sufficient funds to make Lease Payments from any lawfully available funds, including the general fund. In the event that the District's general fund revenues are less than its total obligations, the District may choose to pay other costs or expenses before making the Lease Payments.

The obligation of the District to pay the Lease Payments and Additional Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Corporation, the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, other than Special Taxes, the District is obligated under the Lease Agreement to pay Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the District has covenanted in the Lease Agreement that, for as long as the Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

The District is currently liable on other obligations payable from general fund revenues and may incur additional obligations payable from its general fund.

Insufficiency of Special Taxes

It is expected that the Special Taxes will be sufficient to make all Lease Payments necessary to amortize the Certificates. If the Special Taxes should at any time be insufficient to pay the Lease Payments when due, under the Lease Agreement the District is required to apply general fund monies to make up any shortfall in Special Taxes. The District makes no representation that projections of Special Taxes have been reviewed by any tax consultant and are based solely on historic revenues received by the District and cannot guarantee that in any year there will not be a shortfall. The Certificates described herein will be the only outstanding long-term obligations payable from the Special Taxes at the time of delivery of the Certificates.

Additional Obligations of the District

The District has existing obligations payable from its general fund. See "DISTRICT FINANCIAL INFORMATION – Long Term District Debt - Long Term Lease Obligations." In addition, under the Lease Agreement the District is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of owners of the Certificates. Although the Special Taxes are expected to provide a sufficient source of payment for the Certificates, to the extent that additional obligations are incurred by the District in the future, the funds available to pay Lease Payments may be decreased.

Limited Recourse on Default

Whenever any event of default referred to in the Lease Agreement happens and continues, the Trustee, as the assignee of the Corporation, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement.

Notwithstanding a default under the Lease Agreement, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then due or past due to be immediately due and payable. Neither the Corporation nor the Trustee has any right to re-enter or re-let the Leased Property except following the occurrence and during the continuation of an event of default under the Lease Agreement.

Following an event of default, the Corporation may elect either to terminate the Lease Agreement and seek to collect damages from the District or to maintain the Lease Agreement in effect and seek to collect the Lease Payments as they become due. The Lease Agreement further provides that so long as an event of default exists under the Lease Agreement, the Corporation, or its assignee, may re-enter the Leased Property for the purpose of taking possession of all or any portion of the Leased Property and to re-let the Leased Property and, in addition, at its option, with or without such entry, to terminate the Lease Agreement as described therein. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT."

No assurance can be given that the Trustee will be able to re-let the Leased Property so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest with respect thereto from gross income for federal or State income tax purposes. Due to the essential governmental purposes which are served by the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to the Leased Property.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the Term of the Lease and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto. The District will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

The obligation of the District under the Lease Agreement to pay Lease Payments is in consideration of the use and possession of the Leased Property.

Under certain circumstances relating to damage, destruction, condemnation or title defects with respect to the Leased Property which cause a substantial interference with the use and possession of the Leased Property, the District's obligation to make Lease Payments is subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates as and when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT." Abatement is not a default under the Lease Agreement and does not result in the Trustee having the right to take any action to avail itself of any remedy against the District.

Property Taxes

Levy and Collection. The District does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the District's share of local property tax revenues, and accordingly, could have an adverse impact on the ability of the District to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to pay principal and interest with respect to the Certificates when due; however, the County's participation in the Teeter Plan is expected to minimize the adverse effects of delinquent property tax payments. See "– Alternative Method of Tax Apportionment – Teeter Plan" above for further details.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The District is unable to predict if any adjustments to the full cash value base of real property within the District, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> <u>Proposition 8 Appeals</u>. Most of the appeals that might be filed in the District would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to the 2% limitation. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution – Inflationary Adjustment of Assessed Valuation."

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the District's property tax revenues.

Local Housing Market. Economic downturns, as those that have been experienced in recent years on a national scale, can have a negative impact on local property values, in part due to fallout from the subprime mortgage crisis, tight credit markets and the recession. High rates of foreclosures tend to depreciate values of homes in the overall market, which could lead to more Proposition 8 appeals. Although the District's total assessed valuation is again increasing, it is not possible to predict how a future mortgage crisis, tightening credit markets, increased foreclosure activity and major reductions in home prices throughout the region could affect home values, assessed values, assessment appeals or collections of property taxes by the County.

State Budget Considerations

Most school districts in California operate as LCFF-funded school districts and as such receive a significant amount of their funding from State appropriations, as determined in each year's State Budget. As a result, decreases in State revenue sources may impact the amount of funds appropriated to LCFF-funded school districts, as has occurred in recent years. A deterioration in the State's economy or any other factors such as reduced income tax revenues and sales tax revenues can negatively impact the State Budget and a school district's revenues.

In addition, the State legislature has at times adopted legislation in connection with its annual budgets which may impact the manner of allocation of education funding, and may do so again in the future.

The District cannot predict how State budgets and future legislation, if any, may impact the portion of its finances derived from the State over the term of the Certificates.

Federal Funding Considerations

In January 2025, the federal government announced possible cuts to federal funding for educational agencies. President Trump has also signed an executive order aimed at terminating the Department of Education. In a move which some pundits claim effectively terminates the Department of Education, the Supreme Court granted the Trump administration's request to temporarily pause an order by a lower federal judge that would have required the Department of Education to reinstate nearly 1,400 employees who were fired by President Trump's executive order. Furthermore, on July 1, 2025, President Trump announced that it would withhold $6.2 billion in grants already allocated to school districts to support English learners, $811 million of which was allocated for California schools. Shortly thereafter, on July 25, 2025, the Trump administration announced that it would release the withheld funds to schools in the following week. The District cannot predict the types of each of the possible federal funding cuts that may occur, the further extent of such cuts, if any, and the direct or indirect impact on the District's revenues or operations, if any, or any other consequences of the possible termination of the Department of Education. At this time, these actions are not expected to have a material impact on the District's finances or programs.

Cyber Risks

As described herein under the caption "CYBER RISKS", the District, like other public entities and businesses that rely on computer and other digital networks and systems to conduct its operations, and which maintain extensive data on students and personnel, can be a target for cyber attacks including cyber fraud, hackers, impersonators and hacking, among other activities. The District has never had a major cyber breach that resulted in a financial loss. The District has implemented cyber security measures to safeguard its systems including by routinely undertaking multi-factor authentication, adopting a Cyber Incident Response Plan which is routinely reviewed and updated, and including cyber insurance in its insurance coverage. District insurance policies include standard coverage for cyber incidents. No assurance can be given, however, that the District's current efforts to manage cyber threats or other online fraud will, in all cases, be successful, and that a cyber incident will not delay or impact timely Lease Payments. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. See also "CYBER RISKS" herein.

Natural Disasters - Fires, Droughts, Extreme Weather and Other Events

There have been several significant and damaging natural disasters in the State in the past several years, including wildfires, floods, mudslides, droughts and other extreme weather events often attributed to climate change and global warming. Earthquakes are also a risk in the region where the District is located. In the event of damage or destruction of the Leased Property due to events including natural disasters, the District can abate Lease Payments during the period it does not have use and enjoyment of the Leased Property. Damage could also result in an early prepayment of the Certificates. Natural disasters are unpredictable and could impact the District's operations and facilities. The District has acquired rental interruption insurance to minimize the risk of a period of abatement.

Absence of Earthquake and Flood Insurance

If any portion of the Leased Property is destroyed or rendered useless by any form of natural hazard such as a fire, an earthquake or flood, an abatement could occur and result in the Trustee having inadequate funds to pay the principal and interest represented by the Certificates as and when due. The Lease Agreement does not require the District to obtain earthquake or flood insurance on the Leased Property. As such, if damage or destruction occurs due to earthquake or flood, insurance proceeds will not be available for deposit into the Insurance and Condemnation Fund and applied to pay the Certificates or rebuild the Leased Property.

All building components of the Leased Property were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the "most credible" earthquake likely to occur in the vicinity of the building system being constructed.

Pending and Future Litigation and Liabilities

Other than as mentioned in the following paragraph, the District does not currently have any known uninsured liabilities that could negatively impact its ability to make the lease payments relating to the Certificates. The District cannot predict what claims or liabilities could arise in the future which, if not insured, could have a negative impact on its general fund. The District maintains standard insurance policies to minimize its future risks and liabilities as described herein. However, there can be no guarantee that events such as changes in laws and other matters could result in claims arising that are not covered by past insurance policies.

Assembly Bill 218 (effective January 1, 2020), extended the statute of limitations on certain lawsuits based on past childhood sexual abuse, including cases against school districts resulting from abuse by educators or public-school staff. The District has one pending case which has not yet been traced to an insurance policy, and two other cases which are covered by insurance policies. The District will continue the search for the insurance policy for the one case mentioned, to minimize any potential financial exposure, if any, up to insured limits, and also continue defending each of the claims as the legal process continues. The District cannot predict at this time the outcome of any pending lawsuit, if there will be any resulting liability against the District, and if there is liability, the extent of said liability, and whether or not some or all of it will be covered by insurance. As described herein, Lease Payments and the related the Certificates are expected to be payable in full from the Special Taxes, which are pledged thereto, and if insufficient, from the District's general fund. See also "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." See also "ABSENCE OF MATERIAL LITIGATION RELATING TO THE CERTIFICATES; OTHER MATTERS" herein for more disclosure regarding this pending litigation.

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the District's obligations under the Lease Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the District, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See "– Limited Recourse on Default" above.

LEGAL OPINIONS

The proceedings in connection with the authorization, sale, execution and delivery of the Certificates are subject to the approval as to their legality of Jones Hall LLP, San Mateo, California ("**Special Counsel**"). A copy of the legal opinion with respect to the Certificates, certified by the official in whose office the original is filed, will be attached to each Certificates, and the form of the opinion is attached as APPENDIX D hereto. Jones Hall LLP, San Mateo, California, is also acting as Disclosure Counsel to the District ("**Disclosure Counsel**"). Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is serving as counsel to the Underwriter ("**Underwriter's Counsel**").

The fees of Special Counsel, Disclosure Counsel, the Municipal Advisor (defined in the following paragraph), the Trustee, the Underwriter and Underwriter's Counsel are all contingent upon the execution and delivery of the Certificates.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as the District's Municipal Advisor (the "**Municipal Advisor**") in connection with the Certificates. The Municipal Advisor is a registered "Municipal Advisor" with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Municipal Advisor with respect to the Certificates are contingent upon their sale and delivery. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

TAX MATTERS

Tax-Exempt Status

Federal Tax Status. In the opinion of Jones Hall LLP, San Mateo, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of the Lease Payments designated as and comprising interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Such interest may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificates is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificates is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificates on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificates. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificates (said term being the shorter of the Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificates for purposes of determining taxable gain or loss upon disposition.

The amount of original issue premium on the Certificates is amortized each year over the term to maturity of the Certificates on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificates premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Form of Opinion. At the time of issuance of the Certificates, Special Counsel expects to deliver an opinion for the Certificates in substantially the form set forth in APPENDIX D.

Other Tax Considerations

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or may cause interest with respect to the Certificates to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

ABSENCE OF MATERIAL LITIGATION RELATING TO THE CERTIFICATES; OTHER MATTERS

No Litigation Regarding Certificates, Existence of District and Related Matters. No litigation is pending or threatened concerning the validity of the Certificates, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Certificates. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive the Special Taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Certificates.

Future Litigation; Other Claims Unrelated to the Certificates. The District may be or may become a party to lawsuits and claims which are unrelated to the Certificates and which have arisen or may arise in the normal course of operating a public school district. The District maintains certain insurance policies to minimize its financial risks which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, except as to information regarding one pending lawsuit described in the following sentences, the current aggregate amount of uninsured liabilities under existing lawsuits and claims will not materially affect the financial position or operations of the District.

Notwithstanding the foregoing, Assembly Bill 218 (effective January 1, 2020) (**"AB 218"**), extended the statute of limitations on certain lawsuits based on past childhood sexual abuse, including cases against school districts resulting from alleged abuse by educators or public-school staff. As of the date of this Official Statement, the District has been named in three lawsuits as a result of AB 218, each of which are single-plaintiff cases and each of which are in the process of being defended, and liability may or may not be established. Two of the lawsuits have been traced to insurance policies and if liability and related damages result, the District currently expects sufficient coverage by its insurers to insured limits other than related deductible, which the District does not view as a material liability. As to the remaining lawsuit, the District has hired a law firm with expertise in insurance archaeology to assist in tracing the event to insurance coverage, due to an event which occurred in the 1970s. The tracing is not yet complete and the District is defending the claim as the legal process continues. The District cannot predict at this time the outcome of this pending lawsuit, if there will be any resulting liability against the District, and if there is liability, whether or not there will be insurance coverage or sufficient coverage. As described herein, the Lease Payments and the related Certificates are secured by the general fund although there is further a pledge of Special Taxes which are projected to be sufficient to make all Lease Payments and related debt service payments on the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES", "THE DISTRICT – Special Taxes" and APPENDIX H hereto.

CYBER RISKS

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information.

The District has never had a major cyber breach that resulted in a financial loss. The District has implemented cyber security measures to safeguard its systems including by routinely undertaking multi-factor authentication, adopting a Cyber Incident Response Plan which is routinely reviewed and updated, and including cyber insurance in its insurance coverage. District insurance policies include standard coverage for cyber incidents.

No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District's insurance policies include standard coverage for cyber incidents. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of *ad valorem* property taxes and other property taxes, such as the Special Tax, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the District and the owners of the Certificates, including the possibility of impacting the timely payments of debt service on the Certificates or timely filings pursuant to the Continuing Disclosure Certificate.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Certificates in the form attached hereto as APPENDIX E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing by March 31, 2027 with the report for the 2025-26 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter of the Certificates in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**). This Official Statement constitutes the Annual Report filing with respect to the 2024-25 fiscal year.

The District has made undertakings pursuant to the Rule in connection with other certificate and debt issuances. In the previous five years, instances of noncompliance with existing undertakings are that the District filed its audited financial statements for fiscal year 2019-20 late on April 28, 2021 (filing due dates vary by series from February 25 to April 16), which resulted in the late filing of information regarding the summary of outstanding debt and pension plan contributions, although it did file its unaudited financial statements for fiscal year 2019-20 timely on February 28, 2021; the timely filing of the 2023-24 Adopted Budget including 2022-23 unaudited actuals in lieu of the 2022-23 Audited Financial Statements and a delay in the subsequent filing of the 2022-23 Audit on March 21, 2025; and a notice of insurer rating change timely filed on August 9, 2024 did not link to all related CUSIPs. Such filing errors have been remedied.

The District has engaged the services of Fieldman, Rolapp & Associates, Inc. to serve as its dissemination agent in connection with its undertakings, including the undertaking in connection with the Certificates.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATINGS

Moody's Ratings ("**Moody's**") and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), are expected to assign ratings of "A1" and "AA", respectively, to the Bonds, based on the understanding that the Certificate Insurer will deliver its Policy with respect to the Certificates upon delivery. See "CERTIFICATE INSURANCE."

Moody's Ratings (**"Moody's"**) has assigned an underlying rating of "A2" to the Certificates.

Such ratings reflect only the views of S&P and Moody's and an explanation of the significance of such ratings may be obtained only from S&P and Moody's, respectively. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement because it has been considered not material to making an investment decision in the Certificates). There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by a rating agency, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Certificates.

UNDERWRITING

The Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). Under a Certificate Purchase Agreement (the "**Purchase Agreement**"), the Underwriter has agreed to purchase the Certificates at a purchase price of $__________ (which is equal to the principal amount represented by the Certificates, plus/less original issue premium/discount of $________, less an Underwriter's discount of $______). The Purchase Agreement provides that the Underwriter will purchase all of the Certificates (if any are purchased), and the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the

District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: ________________________________
Chief Business Officer

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to such documents for the complete terms thereof. Copies of such documents are available upon request from the Mt. Diablo Unified School District.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

"Additional Payments" means the amounts payable by the District under the Lease Agreement as descried under the heading "THE LEASE AGREEMENT – Lease Payments; Budget and Appropriation; Abatement – Additional Payments" below.

"Bond Counsel" means (a) Jones Hall LLP, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California, or in any state in which any Office of the Trustee is located.

"Certificate Insurance Policy" means the Municipal Certificate Insurance Policy issued by the Certificate Insurer, guaranteeing the scheduled payment of principal of and interest represented by the Certificates when due.

"Certificate Insurer" means Assured Guaranty Inc., a Maryland corporation, its successors and assigns, as issuer of the Certificate Insurance Policy and the Reserve Policy.

"Certificate Payment Date" means September 1, 2026, and each March 1 and September 1 thereafter to and including the final date of maturity of the Certificates.

"Closing Date" means the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriter.

"Community Facilities Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

"Completion Date" means, with respect to the Projects, the date identified as the date of completion thereof in the written certificate of a District Representative under the Lease Agreement.

"Corporation Representative" means President, Treasurer or Secretary of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Lease Agreement and the Trust Agreement.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which shall include legal fees and the first annual administration fee of the Trustee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, premiums payable for the Certificate Insurance Policy and the Reserve Policy, and any charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under the Trust Agreement.

"Defeasance Securities" means: (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; (b) any obligations the timely payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a); (c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; (d) pre-refunded municipal bonds rated in the highest rating category by any Rating Agency; and (e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and (vii) obligations of the Federal Home Loan Bank (FHLB).

"District Representative" means the Superintendent, the Chief Business Officer or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District under or with respect to the Lease Agreement and the Trust Agreement.

"Event of Default" means an event of default under the Lease, as defined in the Lease Agreement.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the District as its fiscal year pursuant to written notice filed with the Trustee.

"Insurance and Condemnation Fund" means the fund by that name to be established and held by the Trustee pursuant to the Trust Agreement.

"Lease Payment Date" means, with respect to any Certificate Payment Date, the fifth Business Day preceding such Certificate Payment Date.

"Lease Payment Fund" means the fund by that name established and held by the Trustee under the Trust Agreement.

"Leased Property" means all of the land which is more particularly described in Appendix A to the Lease Agreement, consisting generally of the land and buildings constituting the Delta View Elementary School. If the District exercises its option under the Lease Agreement with respect to the substitution of property or its option under the Lease Agreement with respect to the release of property, the term "Leased Property" will thereupon be modified accordingly.

"Measure A" means the ballot measure by that designation approved by more than two-thirds of the voters of the District at an election held on November 7, 1989, authorizing the levy and collection of the Special Taxes.

"Moody's" means Moody's Ratings, or its successors and assigns.

"Net Proceeds" means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Office" means the corporate trust office of the Trustee in San Francisco, California, provided that for purposes of payment, prepayment, exchange, transfer, exchange, surrender and cancellation of Certificates, such term means the corporate trust office of the Trustee in St. Paul, Minnesota, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of the Trust Agreement.

"Outstanding" when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except (a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates for the payment or prepayment of which funds or Defeasance Securities in a sufficient amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner", when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid under the Lease Agreement; (b) the Site Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Defeasance Securities;

(b) obligations of any federal agency which represent full faith and credit of the United States of America, or which are otherwise rated "A" by Moody's;

(c) bank deposit products and interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee) which may include the Trustee and its affiliates, provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by Moody's; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or are collateralized by Permitted Investments described in clauses (a), (b) or (c) above;

(d) commercial paper which is rated at the time of purchase in the highest short-term rating category by Moody's;

(e) federal funds or bankers acceptances with a maximum term of one year of any bank with an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of Moody's;

(f) investments in a money market fund (but excluding funds with a floating net asset value), including those of an affiliate of the Trustee, having a rating in the highest rating category of Moody's, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(g) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund, in the highest rating category of Moody's; or (ii)(A) subject to the approval of Moody's, which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of Defeasance Securities, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates under such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the prepayment date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) investment agreements with financial institutions whose long-term general credit rating is A or better from Moody's, by the terms of which the Trustee may withdraw funds if such rating falls below A; and

(i) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Project Costs" means, with respect to the Projects, all costs of the acquisition and construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition and construction of the Projects;

(b) obligations incurred for labor and materials in connection with the acquisition and construction of the Projects;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition and construction of the Projects;

(d) all costs of engineering, architectural services and other preliminary investigation expenses, including the actual out-of-pocket costs for site investigations, surveys, hazardous materials investigations, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition and construction of the Projects;

(e) any sums required to reimburse the Corporation or the District for advances made for any of the above items or for any other costs incurred and for work done, including but not limited to administrative costs of the Corporation or the District, which are properly chargeable to the acquisition and construction of the Projects;

(f) all financing costs incurred in connection with the acquisition and construction of the Projects, including but not limited to Costs of Issuance and other costs incurred in connection with this Trust Agreement and the financing of the Projects; and

(g) the interest components of the Lease Payments prior to the Completion Date, to the extent not payable from the proceeds of the Certificates deposited in the Lease Payment Fund on the Closing Date.

"Projects" means any capital improvement projects of the District for which the proceeds of the Special Tax are authorized to be expended under Measure A.

"Registration Books" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"Rental Period" means each period during the Term of the Lease commencing on and including September 2 in each year and extending to and including the next succeeding September 1, except that the first Rental Period begins on the Closing Date and ends on September 1, 2026.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Certificate Insurer.

"Reserve Requirement" means, as of the date of calculation thereof, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the District shall have posted a security deposit pursuant to the Lease Agreement) coming due in the current or any future Fiscal Year, or (c) 125% of average annual Lease Payments.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District designates in written notice filed with the Trustee.

"Special Taxes" means the special taxes levied within the Mt. Diablo Unified School District Community Facilities District No. 1 pursuant to the Community Facilities Act, as authorized under the provisions of Measure A.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term of the Lease" means the time during which the Lease Agreement is in effect, as provided therein.

SITE LEASE

Under the Site Lease, the District leases the Leased Property to the Corporation for the purpose of enabling the Corporation to sublease the Leased Property back to the District under the Lease Agreement. The term of the Site Lease is coterminous with the term of the Lease Agreement. In consideration of the rental for the Leased Property under the Site Lease, the Corporation agrees to enter into the Assignment Agreement and assign substantially all of its rights thereunder to the Trustee, and to cause the net proceeds of the Certificates to be deposited with the Trustee into the Project Fund. The Corporation and the District may at any time amend or modify any of the provisions of the Site Lease, but only with the prior written consent of the Trustee and the Certificate Insurer, who are third party beneficiaries under the Site Lease. Any substitution or removal of property under the Lease Agreement will automatically result in a corresponding substitution or removal of property under the Site Lease.

THE LEASE AGREEMENT

Lease of the Leased Property; Term

The Corporation leases the Leased Property back to the District under the Lease Agreement. The Term of the Lease commences on the date of execution and delivery of the Lease Agreement and ends on the date on which the Trust Agreement is discharged thereunder, but under any circumstances not later than ten years following the final maturity date of the Certificates.

Substitution of Leased Property

The District has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), provided that the District satisfies all of the following requirements which are conditions precedent to such substitution:

(a) No Event of Default has occurred and is continuing;

(b) The District has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Contra Costa County Recorder sufficient memorialization of, an amendment thereof which adds to Appendix A to the Lease Agreement a description of such Substitute Property and deletes therefrom the description of such Former Property.

(c) The District has obtained a CLTA policy of title insurance which insures the District's leasehold estate in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the original principal amount of the Certificates;

(d) The District has certified in writing to the Corporation and the Trustee that such Substitute Property serves the educational purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District.

(e) The Substitute Property does not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement.

(f) The District has filed with the Corporation and the Trustee a certificate executed by a District Representative stating that (i) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in the Lease Agreement, and (ii) the useful life of the Substitute Property extends at least to the final Lease Payment Date.

(g) The District has mailed written notice of such substitution to Moody's.

(h) The District has obtained the prior written consent of the Certificate Insurer to such substitution.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property in the Site Lease and the Lease Agreement will apply with full force and effect to the Substitute Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution. The Corporation and the District will execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement against the Former Property.

Release of Property

The District has the option at any time and from time to time to release any portion of the Leased Property from the Lease Agreement and the Site Lease (the "Released Property") provided that the District has satisfied all of the following requirements which are declared to be conditions precedent to such release:

(a) No Event of Default has occurred and is continuing.

(b) The District has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Contra Costa County Recorder sufficient memorialization of, an amendment of the Lease Agreement which removes the Released Property from the Lease Agreement, the Site Lease and the Assignment Agreement.

(c) The District has certified in writing to the Corporation and the Trustee that the estimated value of the property which remains subject to the Lease Agreement and the Site Lease following such release is at least equal to the aggregate original principal amount of the Certificates, and the fair rental value of the property which remains subject to the Lease Agreement and the Site Lease following such release is at least equal to the Lease Payments thereafter coming due and payable.

(d) The District has mailed written notice of such release to Moody's.

(e) The District has obtained the prior written consent of the Certificate Insurer to such release.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Released Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Corporation and the District shall execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement and the Site Lease of record against the Released Property.

Lease Payments; Budget and Appropriation; Abatement

Lease Payments. Subject to abatement as described below, the District will pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable in immediately available funds on the Certificate Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease Agreement, and to be deposited by the District with the Trustee on each of the Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under the Lease Agreement and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) will be credited towards the Lease Payment then required to be paid; and no Lease Payment need be deposited with the Trustee on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be deposited with the Trustee. The Lease Payments payable in any Rental Period are for the use of the Leased Property during such Rental Period.

Source of Payments. The Lease Payments shall be payable from, and shall be secured by a pledge of and lien on, the Special Taxes. The District shall take all actions as shall be required under the Community Facilities Act to levy and collect, and to enforce the payment and collection of, the Special Taxes when due and to apply the Special Taxes to the payment of the Lease Payments when due. As provided in the Community Facilities Act, the Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installments as the *ad valorem* taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property. The Special Taxes shall be deposited and applied as set forth in the Trust Agreement.

In the event and to the extent the Special Taxes are insufficient to enable the District to pay any Lease Payment when due, the District shall be obligated to pay the amount of such insufficiency from any source of available funds of the District, including but not limited to amounts on deposit in the General Fund of the District which may lawfully be used to pay the Lease Payments.

Budget and Appropriation. The District covenants to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets. The District further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the District for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the District contained in the Lease Agreement are duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Additional Payments. In addition to the Lease Payments, the District shall pay when due, as additional rental for the Leased Property under the Lease Agreement, all costs and expenses incurred by the District under the Lease Agreement or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, all amounts required to repay draws on the Certificate Insurance Policy or the Reserve Policy, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement.

Termination or Abatement Due to Eminent Domain. If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease will cease with respect thereto as of the day possession is so taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Notwithstanding the foregoing, the Lease Payments will not be abated to the extent that Special Taxes or amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under this provision, it being declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Abatement Due to Damage or Destruction. The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof. The amount of such abatement shall be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that the Special Taxes, the proceeds of hazard insurance, rental interruption insurance or amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under this Section, it being declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Covenant Against Eminent Domain. During the Term of the Lease, the District shall not acquire the sub-leasehold estate of the Corporation in the Leased Property under the Site Lease through the exercise of its eminent domain powers or otherwise.

Title

At all times during the term of the Lease, the District will hold title to the Leased Property, subject to the Permitted Encumbrances, and any and all additions which comprise fixtures, repairs, replacements or modifications thereto.

Maintenance, Utilities, Taxes and Modifications

Throughout the Term of the Lease, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Leased Property. The District waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of the Lease Agreement.

The District also agrees pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation notifies the District that, in its reasonable opinion, by nonpayment of any such items the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee.

The District has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease Agreement. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District; provided that if any such lien is established and the District first notifies the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Insurance

The Lease Agreement requires the District to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Certificate Owners, the Certificate Insurer, the Corporation and the Trustee:

Public Liability and Property Damage Insurance. The District will maintain or cause to be maintained, throughout the Term of the Lease, comprehensive general insurance in protection of the District and its members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

Casualty Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the greater of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and with the consent of the Certificate Insurer may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of any such insurance will be deposited by the Trustee in the Insurance and Condemnation Fund and applied at the election and direction of the District either to the replacement, repair, restoration, modification or improvement of the damaged Leased Property or to the prepayment of the Lease Payments and the corresponding prepayment of outstanding Certificates.

Rental Interruption Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the casualty insurance required under the Lease Agreement as described in the immediately preceding paragraph, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, with the consent of the Certificate Insurer, may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The District will, at its expense, cause the Site Lease, the Assignment Agreement and the Lease Agreement to be recorded in the office of the Contra Costa County Recorder on or before the Closing Date. Concurrent with such recordation, the District shall obtain a CLTA title insurance policy insuring the District's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and credited towards the prepayment of the Lease Payments.

Assignment; Subleases

The Corporation has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Assignment Agreement. The District may not assign any of its rights in the Lease Agreement, but may sublease all or a portion of the Leased Property only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Installation of District's Personal Property

The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items will remain the sole property of the District, in which neither the Corporation nor the Trustee has any interest, and may be modified or removed by the District at any time, provided that the District shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement prevents the District from purchasing or leasing items under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest attaches to any part of the Leased Property.

Amendment of Lease

The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement with the prior written consent of the Certificate Insurer, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of the Trustee or any of the Certificate

Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the District;

(ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained therein, for the purpose of conforming to the original intention of the District and the Corporation;

(iii) to amend any provision thereof relating to the Tax Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by any of the Certificates under the Tax Code, in the opinion of Bond Counsel;

(iv) to amend the description of any component of the Leased Property to reflect accurately the property originally intended to be included therein, or to effectuate any substitution of property as permitted or any release of property as permitted under the Lease Agreement;

(v) to obligate the District to pay additional amounts of rental thereunder for the use and occupancy of the Leased Property or any portion thereof, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance capital improvements of the District, and (B) the District has filed with the Trustee written evidence that the amendments made under this subsection (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates; or

(vi) in any other respect whatsoever as the Corporation and the District deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates.

Events of Default

Each of the following constitutes an event of default under the Lease Agreement:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease Agreement or the Trust Agreement, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee; *provided, however*, that if the District notifies the Corporation that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the District commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may be enacted.

For purposes of determining whether any event of default has occurred under and as described in the preceding clause (a), no effect shall be given to payments made by the Certificate Insurer under the Certificate Insurance Policy or the Reserve Policy.

Remedies on Default

Whenever any Event of Default has happened and is continuing, with the prior written consent of the Certificate Insurer, the Corporation may exercise any and all remedies available under law or granted under the Lease Agreement. Notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant of the Lease Agreement to be kept and performed by the District is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted under the Lease Agreement; provided, that no termination of the Lease Agreement shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner in the Lease Agreement expressly provided. Upon the occurrence and during the continuance of any Event of Default, with the prior written consent of the Certificate Insurer, the Corporation may exercise each and every one of the following remedies, subject in all respects to the limitations described in the Lease Agreement.

(a) <u>Enforcement of Payments Without Termination</u>. If the Corporation does not elect to terminate the Lease Agreement in the manner described below, the District agrees to remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, if the Corporation is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of the Lease.

The District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County of Contra Costa for the account of and at the expense of the District. The District agrees to surrender and quit possession of the Leased Property upon demand of the Corporation for the purpose of enabling the Leased Property to be re-let. Any rental obtained by the Corporation in excess of the unpaid Lease Payments shall be deposited with the Trustee in the Lease Payment Fund, to be applied as a credit against future Lease Payments.

(b) Termination of Lease. If an Event of Default occurs and is continuing, with the prior written consent of the Certificate Insurer, the Corporation at its option may terminate the Lease Agreement and re-lease all or any portion of the Leased Property. Any surplus received by the Corporation from such re-leasing shall be deposited in the Lease Payment Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, unless and until the Corporation has given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District agrees that no surrender of the Leased Property, or of the remainder of the Term of the Lease or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

(c) Proceedings at Law or In Equity. If an Event of Default occurs and continues, with the prior written consent of the Certificate Insurer, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Lease Agreement or to enforce any other of its rights under the Lease Agreement.

TRUST AGREEMENT

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the District's instructions.

Funds

The Trust Agreement creates the Lease Payment Fund, the Project Fund, the Reserve Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

Establishment of Lease Payment Fund. The Trustee shall establish a special fund designated as the “Lease Payment Fund.” All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the District, the Certificate Insurer and the Owners of the Certificates. The Lease Payments are payable from and secured by a pledge of and lien on the Special Taxes, which shall be applied by the District to make pay the Lease Payments when due. On or before each Lease Payment Date, the District shall pay to the Trustee, for deposit into the Lease Payment, the full amount of the Lease Payment then required to be deposited under the Lease Agreement. The Trustee shall apply amounts in the Lease Payment Fund solely for the purpose of paying the principal and interest represented by the Certificates as the same become due and payable, in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund, after prepayment and payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee and the Certificate Insurer or provision for such prepayment or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

Project Fund The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Project Fund." The Trustee shall disburse moneys in the Project Fund from time to time to pay or reimburse the payment of Project Costs in accordance with written requisitions filed by the District with the Trustee. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. The District shall maintain accurate records showing all disbursements from the Project Fund, including records which show the name and address of each entity to whom payment is made and the amount and purpose of each payment.

Upon the determination by the District that the Projects have been substantially completed, the Trustee will withdraw from the Project Fund and deposit in the Lease Payment Fund all amounts remaining on deposit in the Project Fund, other than amounts estimated by the District to be required to pay future Project Costs, and the Trustee shall thereupon close the Project Fund and transfer all remaining amounts therein to the Lease Payment Fund.

Reserve Fund. The Trustee shall establish a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, and applied solely as provided in the Trust Agreement. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the District.

The Trustee shall retain in the Reserve Fund all earnings on the investment of amounts therein to the extent required to maintain the full amount of the Reserve Requirement on deposit therein. All amounts on deposit in the Reserve Fund at any time in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which are not required to be retained therein to maintain the Reserve Requirement, shall be transferred by the Trustee to the Project Fund prior to the Completion Date, and thereafter to the Lease Payment Fund semiannually on or before each Lease Payment Date. Any recomputation of the Reserve Requirement shall be made by or on behalf of the District, and shall become effective upon the filing by the District with the Trustee of written notice thereof.

If on any Certificate Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest represented by any Certificates theretofore having come due but not presented for payment) are sufficient to pay or prepay all Outstanding Certificates, including all principal and interest represented thereby, the Trustee shall, upon the written request of the District, either (i) transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied for such purpose to the payment of the Lease Payments on behalf of the District, or (ii) transfer such amounts to the District for deposit into the Project Fund prior to the completion of the Project. Any amounts remaining in the Reserve Fund on the date of payment in full, or provision for such payment as provided in the Trust Agreement, of all obligations represented by the Outstanding Certificates and upon all fees and expenses then due and owing to the Trustee, shall be withdrawn by the Trustee and at the written request of the District applied towards such payment or paid to the District.

The Reserve Requirement will initially be satisfied by deposit in the Reserve Fund of the Reserve Policy delivered by the Certificate Insurer.

Deposit and Application of Net Proceeds of Eminent Domain Award. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund, under the Lease Agreement, and shall be applied and disbursed by the Trustee as follows:

(a) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the District has given written notice to the Trustee of such determination, the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited towards the payment of the Lease Payments as they become due and payable.

(b) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for the repair or rehabilitation of the Leased Property, upon the filing of requisitions of the District Representative meeting the requirements of the Trust Agreement.

(c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments under the Lease Agreement and applied to the corresponding prepayment of Certificates under the Trust Agreement, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under the Trust Agreement, the District may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Any such determination by the District is final.

Investment of Funds; Valuation of Investments

Upon the written request of a District Representative filed with the Trustee from time to time, moneys held by the Trustee in any fund or account under the Trust Agreement shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended under the Trust Agreement. In the absence of any written request of the District directing the investment of uninvested moneys held by the Trustee thereunder, the Trustee shall invest such moneys in Permitted Investments described in clause (e) of the definition thereof. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in the Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments thereunder, the Trustee may commingle funds held by it thereunder.

Events of Default and Remedies of Certificate Owners

Notice of Default; Remedies. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, then the Trustee shall promptly give written notice thereof to the Owner of each Outstanding Certificate by first class mail, postage prepaid, unless such Event of Default shall have been cured before the giving of such notice; provided, however that unless such Event of Default consists of the failure by the District to make any Lease Payment when due, the Trustee may elect not to give such notice to the Certificate Owners if and so long as the Trustee in good faith determines that it is otherwise not in the best interests of the Certificate Owners to give such notice.

If an Event of Default happens, then and in each and every such case during the continuance of such Event of Default, with the prior written consent of the Certificate Insurer the Trustee may, and at the written direction of the Certificate Insurer or (with the prior written consent of the Certificate Insurer) at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Application of Funds. All moneys received by the Trustee under any right given or action taken under the provisions of the Trust Agreement or the Lease Agreement shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in taking any remedial action with respect thereto, including reasonable compensation to its agents, attorneys and counsel, and including such other necessary costs relating to the administration of the foregoing and to events leading up thereto;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the highest rate of interest represented by any Outstanding Certificate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the payment of amounts due and owing to the Certificate Insurer in respect of the Certificate Insurance Policy or the Reserve Policy.

Institution of Legal Proceedings. If one or more Events of Default occur and are continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Trust Agreement.

Non-waiver. Nothing in the Trust Agreement or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Certificate Owners in the Trust Agreement is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or thereafter existing, at law or in equity or by statute or otherwise.

Amendment of Trust Agreement

The Trust Agreement may be amended by agreement among the parties thereto with the prior written consent of the Certificate Insurer but without the consent of the Owners of the Certificates, but only (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the District, (b) to cure, correct or supplement any ambiguous or defective provision contained in the Trust Agreement, (c) in regard to questions arising thereunder, as the parties to the Trust Agreement may deem necessary or desirable and which shall not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates, (d) if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the District and the Corporation, to delete or modify any of the provisions thereof relating to the exclusion from gross income of interest represented by the Certificates for federal income tax purposes, and (e) to conform to any amendments of the Lease Agreement which are permitted to be made under the Lease Agreement.

Any other amendment requires the approval of the Certificate Insurer and the Owners of a majority in aggregate principal amount of the Certificates then outstanding, provided that no such amendment may (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate represented thereby or extending the time of payment of interest, or reducing the amount of principal represented thereby or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Defeasance

If and when the obligations represented by any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal and interest represented by such Certificates Outstanding, as and when the same become due and payable; or

(b) by depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates as more particularly described in the Lease Agreement, said security to be held by the Trustee on behalf of the District to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due, pursuant to the Lease Agreement.

then notwithstanding that such Certificates have not been surrendered for payment, all rights under the Trust Agreement of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Corporation and the District under the Trust Agreement regarding indemnification of the Trustee and the obligations of the Trustee under the Trust Agreement, and the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited under paragraph (b) above, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Lease Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) of above, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the District.

If the principal and interest represented by the Certificates are paid by the Certificate Insurer under the Certificate Insurance Policy or the Reserve Policy, all covenants, agreements and other obligations of the District under the Lease Agreement and the Trust Agreement will continue to exist and the Certificate Insurer will be subrogated to the rights of the Certificate Owners.

Provisions Relating to Certificate Insurance Policy

The Trust Agreement contains terms governing the Certificate Insurance Policy, including but not limited to provisions relating to notice required to be provided to the Certificate Insurer, requirements of the Certificate Insurer with respect to defeasance, and consent required in connection with proposed amendment and supplements. The Certificate Insurer is deemed to be the sole owner of the Certificates for all purposes under the Trust Agreement, including, without limitations, for purposes of exercising remedies and approving amendments, and the Certificate Insurer is recognized as and is deemed to be a third party beneficiary of the Trust Agreement and may enforce the provisions of the Trust Agreement as if it were a party thereto. Any exercise by the Certificate Insurer of its rights is merely an exercise of the Certificate Insurer's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Certificates and such action does not evidence any position of the Certificate Insurer, affirmative or negative, as to whether the consent of the holders of the Certificates or any other person is required in addition to the consent of the Certificate Insurer.

Provisions Relating to Reserve Policy

The Trust Agreement contains terms governing the Reserve Policy, including but not limited to the District's obligation to repay any draws under the Reserve Policy,

ASSIGNMENT AGREEMENT

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Certificate Insurer and the Owners of the Certificates, all of the Corporation's rights under the Lease Agreement (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing such payments due to and rights of the Owners of the Certificates, subject to the provisions of the Trust Agreement. The Certificate Insurer is a third party beneficiary under the Assignment Agreement with all rights of a third party beneficiary.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2025

[THIS PAGE INTENTIONALLY LEFT BLANK]

MT. DIABLO UNIFIED SCHOOL DISTRICT

CONTRA COSTA COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2025

MT. DIABLO UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2025
Table of Contents

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Section

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Governing Board
Mt. Diablo Unified School District
Concord, California

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Diablo Unified School District, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Diablo Unified School District, as of June 30, 2025, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Elizabeth Nigro, CPA | Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
Jessica Miller, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Changes in Accounting Principle
As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 101, *Compensated Absences.* Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard. Our opinion is not modified with respect to this matter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the Schedule of Charter Schools, 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 Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the Schedule of Charter Schools, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Charter Schools has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the LEA Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to the materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
December 15, 2025

This discussion and analysis of Mt. Diablo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. 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 $1.9 million, or 3.9%.
- Governmental expenses were about $543.8 million. Revenues were about $541.9 million.
- The District acquired over $59.0 million in new capital assets during the year.
- Governmental funds decreased by $36.8 million, or 10.4%.
- Reserves for the General Fund decreased by $13.3 million or 45.7%. Revenues were $483.4 million, and expenditures were $527.8 million.

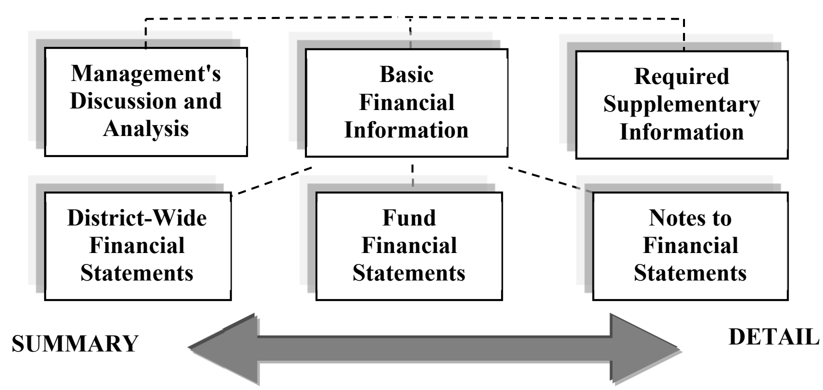
OVERVIEW OF THE FINANCIAL STATEMENTS

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.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.

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

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



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

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

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it 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*** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District’s fiduciary funds include CFD and Trust custodial funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2025, than it was the year before – decreasing 3.9% to $(50.2) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		
	2025	2024*	Net Change
Assets			
Current assets	$ 375,958,693	$ 405,415,044	$ (29,456,351)
Capital assets	633,431,952	602,401,425	31,030,527
Total Assets	1,009,390,645	1,007,816,469	1,574,176
Total Deferred Outflows of Resources	140,517,776	133,799,406	6,718,370
Liabilities			
Current liabilities	64,302,300	58,228,502	6,073,798
Long-term liabilities	978,780,870	997,713,001	(18,932,131)
Total Liabilities	1,043,083,170	1,055,941,503	(12,858,333)
Total Deferred Inflows of Resources	157,038,758	133,989,604	23,049,154
Net Position			
Net investment in capital assets	207,078,803	192,197,389	14,881,414
Restricted	147,764,395	155,941,913	(8,177,518)
Unrestricted	(405,056,705)	(396,454,534)	(8,602,171)
Total Net Position	$ (50,213,507)	$ (48,315,232)	$ (1,898,275)

* *As restated*

Changes in net position, governmental activities. The District's total revenues decreased 4.7% to $541.9 million (See Table A-2). The decrease is due primarily to reduced federal and state grants.

The total cost of all programs and services increased 7.7% to $543.8 million. The District's expenses are predominantly related to educating and caring for students, 76.8%. The purely administrative activities of the District accounted for just 5.2% of total costs. A significant contributor to the increase in costs was increased salaries, benefits, and pension costs.

Table A-2: Statement of Activities

	Governmental Activities		
	2025	2024	Net Change
Revenues			
Program Revenues:			
Charges for services	$ 4,661,754	$ 2,496,180	$ 2,165,574
Operating grants and contributions	120,365,682	146,307,480	(25,941,798)
Capital grants and contributions	132,817	161,471	(28,654)
General Revenues:			
Property taxes	245,019,461	244,620,419	399,042
Federal and state aid not restricted	150,168,019	152,599,009	(2,430,990)
Other general revenues	21,518,005	22,204,464	(686,459)
Total Revenues	541,865,738	568,389,023	(26,523,285)
Expenses			
Instruction-related	347,475,933	328,898,539	18,577,394
Pupil services	69,959,131	60,586,401	9,372,730
Administration	28,351,800	23,673,497	4,678,303
Plant services	77,695,446	70,605,793	7,089,653
All other activities	20,281,703	21,289,201	(1,007,498)
Total Expenses	543,764,013	505,053,431	38,710,582
Increase (decrease) in net position	$ (1,898,275)	$ 63,335,592	$ (65,233,867)
Total Net Position	$ (50,213,507)	$ (48,315,232)	

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 $315.9 million, which is below last year's ending fund balance of $352.7 million. The primary cause of the decreased fund balance is increased salaries, benefits, and pension costs in the General Fund.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2024	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2025
Fund					
General Fund	$ 213,216,542	$ 483,381,179	$ 527,764,539	$ -	$ 168,833,182
Student Activity Fund	736,717	689,775	679,675	-	746,817
Adult Education Fund	3,494,310	7,629,776	7,700,470	-	3,423,616
Cafeteria Fund	15,544,581	22,634,660	20,753,638	-	17,425,603
Deferred Maintenance Fund	3,395,452	-	3,260,665	-	134,787
Building Fund	46,108,399	926,541	47,927,431	55,000,000	54,107,509
Capital Facilities Fund	24,081,889	2,558,641	2,269,633	-	24,370,897
County School Facilities Fund	3,659,979	132,817	-	-	3,792,796
Capital Projects Fund for Blended Component Units	825,167	2,780,229	2,777,103	-	828,293
Bond Interest and Redemption Fund	41,662,215	43,303,926	48,472,788	5,755,923	42,249,276
Totals	$ 352,725,251	$ 564,037,544	$ 661,605,942	$ 60,755,923	$ 315,912,776

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 $26.8 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $11.5 million to reflect revised cost estimates.
- Other non-personnel expenses – increased $54.2 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $84.9 million, the actual results for the year show that expenditures exceeded revenues by roughly $44.4 million. Actual revenues were $1.8 million more than anticipated, and expenditures were $38.7 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2025, that will be carried over into the 2025-26 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024-25 the District had acquired $59.0 million in new capital assets, related to land, construction in progress, site improvements, leases, and equipment purchases. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was $27.0 million, and amortization was $0.9 million.

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

	Governmental Activities		
	2025	2024	Net Change
Land	$ 14,436,462	$ 14,436,462	$ -
Buildings and improvements	495,063,033	453,735,674	41,327,359
Equipment	26,722,305	16,938,193	9,784,112
Construction in progress	94,439,112	113,596,326	(19,157,214)
Lease assets	2,771,040	3,694,770	(923,730)
Total	$ 633,431,952	$ 602,401,425	$ 31,030,527

Long-Term Debt

At year-end the District had $978.8 million in long-term liabilities – a decrease of 1.9% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 6-8 to the financial statements).

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

	Governmental Activities		
	2025	2024*	Net Change
General obligation bonds	$ 471,767,022	$ 444,445,299	$ 27,321,723
Certificates of participation	7,069,337	9,823,509	(2,754,172)
Construction loan	2,930,672	2,946,435	(15,763)
Lease liabilities	2,866,546	3,768,024	(901,478)
Supplemental employee retirement plan	-	1,733,320	(1,733,320)
Compensated absences	7,897,530	7,125,778	771,752
Other postemployment benefits	205,800,155	205,414,594	385,561
Net pension liability	280,449,608	322,456,042	(42,006,434)
Total	$ 978,780,870	$ 997,713,001	$ (18,932,131)

* *As restated*

FACTORS BEARING ON THE DISTRICT'S FUTURE

California State Budget
The Budget aims to solve a $11.8 billion General Fund deficit for 2025-26 through reductions, borrowing and fund shifts. The 2025-26 Enacted Budget relies on reserves and deferrals to meet its Proposition 98 obligations for the fiscal year, including the scheduled $7.1 billion Budget Stabilization Act (BSA) withdrawal in 2025-26. This will leave a combined reserve balance of $15.7 billion in 2025-26, including $11.2 billion in the BSA and an additional $4.5 billion in the state's discretionary reserve account (the Special Fund for Economic Uncertainties).

TK-12 Education
The Budget includes total funding of $137.6 billion ($80.5 billion General Fund and $57.1 billion other funds) for all TK-12 education programs.

Proposition 98
The Budget revised estimates of General Fund revenues resulting in notable adjustments to the Proposition 98 Guarantee. The revised Guarantee for TK-14 schools is calculated to be $98.5 billion in 2023-24, $119.9 billion in 2024-25, and $114.6 billion in 2025-26. These revised Proposition 98 levels represent an increase of approximately $3.9 billion over the three-year period relative to the 2024 Budget Act. The Budget appropriates the 2024-25 Guarantee at $118 billion, instead of the currently calculated level of $119.9 billion. The difference between the appropriated and the calculated levels is $1.9 billion, which is referred to as "settle-up." The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Budget shifts the full TK expansion funding to the TK-12 education side of the Proposition 98 budget, beginning in the 2025-26 fiscal year. This shifts $232.9 million in ongoing resources from community colleges to TK-12 schools. The purpose of re-benching Proposition 98 for the cost of TK expansion is to ensure that the implementation of universal TK does not create a fiscal burden on existing TK-12 programs.

The Budget includes a LCFF cost-of-living adjustment of 2.3 percent. When combined with population growth adjustments, these baseline adjustments will increase discretionary funds for local educational agencies (LEAs) by $2.1 billion compared to the 2024 Budget Act. To fully fund the LCFF, the Budget uses $405.3 million from the Proposition 98 Rainy Day Fund to support LCFF costs in 2025-26.

Budgetary deferrals of $246.6 million for TK-12 education from 2024-25 will be fully repaid in 2025-26. However, to fully fund the LCFF and maintain the level of 2025-26 principal apportionments, the Budget defers $1.9 billion in LCFF funding from June 2026 to July 2026.

Funding Results for Education Programs
In the 2025-26 school year, the Budget provides a total of $2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK. The Budget also provides an additional $1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

The Budget provides $515.1 million ongoing for the full implementation of the Expanded Learning Opportunities Program by increasing the number of elementary schools that offer universal access to students. Additionally, the Budget includes $10.4 million to increase the minimum grant amount from $50,000 to $100,000 per LEA.

The Budget provides $480 million to support literacy instruction aligned with the ELA/ELD Framework and includes multiple investments intended to support teachers and improve access to the educator pipeline. In addition, the Budget allocates $1.7 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block Grant, as well as numerous one-time grants for various new and ongoing program support.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Implications
Because the State Budget was approved in late June, it does not reflect the impact of the cuts in federal spending included in the federal omnibus tax and spending bill signed in early July. The bill does not make any statutory or direct funding adjustments to TK-12 federal education programs, including Title I and the Individuals with Disabilities Education Act. However, the bill allocates $100 million to the OMB to conduct reviews across the executive branch aimed at identifying "budget and accounting efficiencies."

All of these factors were considered in preparing the Mt. Diablo Unified School District budget for the 2025-26 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Adrian Vargas, Chief Business Officer at (925) 682-8000, or 1936 Carlotta Drive, Concord, California 94519.

MT. DIABLO UNIFIED SCHOOL DISTRICT

Statement of Net Position

June 30, 2025

	Governmental Activities
ASSETS	
Deposits and investments	$ 327,008,601
Accounts receivable	46,202,081
Prepaid expenses	212,105
Inventories	903,438
Other current assets	1,570
Lease receivables	1,630,898
Capital assets:	
Non-depreciable capital assets	108,875,574
Depreciable capital assets	1,009,407,255
Less accumulated depreciation	(487,621,917)
Lease assets:	5,157,369
Less accumulated amortization	(2,386,329)
Total Assets	1,009,390,645
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	4,172,919
Deferred outflows related to OPEB	19,415,940
Deferred outflows related to pensions	116,928,917
Total Deferred Outflows of Resources	140,517,776
LIABILITIES	
Accounts payable	55,325,494
Accrued interest payable	5,841,247
Unearned revenue	3,135,559
Noncurrent liabilities:	
Due or payable within one year	37,459,523
Due in more than one year:	
Other than OPEB and pensions	455,071,584
Total OPEB liability	205,800,155
Net pension liability	280,449,608
Total Liabilities	1,043,083,170
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	1,584,864
Deferred inflows related to OPEB	60,057,495
Deferred inflows related to pensions	95,396,399
Total Deferred Inflows of Resources	157,038,758
NET POSITION	
Net investment in capital assets	207,078,803
Restricted for:	
Capital projects	17,347,409
Debt service	42,249,276
Student activities	746,817
Categorical programs	87,420,893
Unrestricted	(405,056,705)
Total Net Position	$ (50,213,507)

MT. DIABLO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 291,806,214	$ 1,797,619	$ 55,951,117	$ 132,817	$ (233,924,661)
Instruction-Related Services:					
Supervision of instruction	19,700,207	163,521	7,542,983	-	(11,993,703)
Instructional library, media and technology	3,235,586	2,690	112,926	-	(3,119,970)
School site administration	32,733,926	18,662	2,068,416	-	(30,646,848)
Pupil Support Services:					
Home-to-school transportation	14,081,247	1,595	70,421	-	(14,009,231)
Food services	20,384,114	7,737	22,041,354	-	1,664,977
All other pupil services	35,493,770	380,747	11,213,161	-	(23,899,862)
General Administration Services:					
Data processing services	6,108,272	-	(5,560)	-	(6,113,832)
Other general administration	22,243,528	116,002	4,405,583	-	(17,721,943)
Plant services	77,695,446	1,664,145	15,494,544	-	(60,536,757)
Ancillary services	3,364,817	482,932	1,147,938	-	(1,733,947)
Community services	2,583	23	213	-	(2,347)
Interest on long-term debt	13,754,203	-	-	-	(13,754,203)
Other outgo	2,236,370	26,081	322,586	-	(1,887,703)
Amortization (unallocated)	923,730	-	-	-	(923,730)
Total Governmental Activities	$ 543,764,013	$ 4,661,754	$ 120,365,682	$ 132,817	(418,603,760)

General Revenues:	
Property taxes	245,019,461
Federal and state aid not restricted to specific purpose	150,168,019
Interest and investment earnings	8,352,328
Miscellaneous	13,165,677
Subtotal general revenues	416,705,485
Change in net position	(1,898,275)
Net position - July 1, 2024, as originally reported	(45,816,736)
Adjustments for restatements (Note 12)	(2,498,496)
Net position - July 1, 2024, as restated	(48,315,232)
Net position - June 30, 2025	$ (50,213,507)

MT. DIABLO UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 170,756,211	$ 64,378,815	$ 42,247,706	$ 49,625,869	$ 327,008,601
Accounts receivable	41,654,544	-	-	4,547,537	46,202,081
Stores inventories	667,015	-	-	236,423	903,438
Prepaid expenditures	212,105	-	-	-	212,105
Other current assets	-	-	1,570	-	1,570
Lease receivables	1,630,898	-	-	-	1,630,898
Total Assets	$ 214,920,773	$ 64,378,815	$ 42,249,276	$ 54,409,829	$ 375,958,693
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities					
Accounts payable	$ 41,251,859	$ 10,271,306	$ -	$ 3,802,329	$ 55,325,494
Unearned revenue	3,116,081	-	-	19,478	3,135,559
Total Liabilities	44,367,940	10,271,306	-	3,821,807	58,461,053
Deferred Inflows of Resources					
Deferred inflows related to leases	1,584,864	-	-	-	1,584,864
Fund Balances					
Nonspendable	1,183,890	-	-	236,423	1,420,313
Restricted	69,675,305	54,107,509	42,249,276	35,603,391	201,635,481
Assigned	82,310,508	-	-	14,748,208	97,058,716
Unassigned	15,798,266	-	-	-	15,798,266
Total Fund Balances	168,967,969	54,107,509	42,249,276	50,588,022	315,912,776
Total Liabilities, Deferred Inflows, and Fund Balances	$ 214,920,773	$ 64,378,815	$ 42,249,276	$ 54,409,829	$ 375,958,693

MT. DIABLO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds		$ 315,912,776
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation, lease and subscription assets and accumulated amortization.		
Capital assets, at historical cost:	1,118,282,829	
Accumulated depreciation:	(487,621,917)	
Lease assets, at historical cost:	5,157,369	
Accumulated amortization:	(2,386,329)	
Net:		633,431,952
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(5,841,247)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow. The remaining deferred amounts on refunding at the end of the period were:		4,172,919
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	471,767,022	
Certificates of participation payable	7,069,337	
Construction loan payable	2,930,672	
Lease liabilities	2,866,546	
Compensated absences payable	7,897,530	
Other postemployment benefits	205,800,155	
Net pension liability	280,449,608	
Total		(978,780,870)
In governmental funds, deferred outflows and inflows of resources relating to 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 OPEB are reported. Deferred outflows and inflows relating to OPEB for the period were:		
Deferred outflows of resources	19,415,940	
Deferred inflows of resources	(60,057,495)	
Total		(40,641,555)
In governmental funds, deferred outflows and inflows of resources relating to pensions 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 are reported. Deferred inflows and outflows relating to pensions for the period were:		
Deferred outflows of resources	116,928,917	
Deferred inflows of resources	(95,396,399)	
Total		21,532,518
Total Net Position - Governmental Activities		$ (50,213,507)

MT. DIABLO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 338,675,447	$ -	$ -	$ -	$ 338,675,447
Federal sources	19,394,238	-	135,408	11,846,262	31,375,908
Other state sources	87,892,739	-	190,698	15,607,347	103,690,784
Other local sources	37,418,755	926,541	42,977,820	8,972,289	90,295,405
Total Revenues	483,381,179	926,541	43,303,926	36,425,898	564,037,544
EXPENDITURES					
Current:					
Instruction	323,594,143	-	-	3,876,884	327,471,027
Instruction-related services:					
Supervision of instruction	21,314,503	-	-	619,044	21,933,547
Instructional library, media and technology	3,273,730	-	-	164,622	3,438,352
School site administration	33,690,364	-	-	2,690,628	36,380,992
Pupil support services:					
Home-to-school transportation	14,678,624	-	-	-	14,678,624
Food services	2,121,803	-	-	20,049,458	22,171,261
All other pupil services	39,512,828	-	-	-	39,512,828
Ancillary services	2,702,135	-	-	679,675	3,381,810
Community services	2,583	-	-	-	2,583
General administration services:					
Data processing services	6,307,478	-	-	-	6,307,478
Other general administration	23,592,223	-	-	67,877	23,660,100
Transfers of indirect costs	(1,051,778)	-	-	1,047,342	(4,436)
Plant services	52,144,345	-	-	55,077	52,199,422
Capital outlay	4,187,523	47,927,431	-	4,914,149	57,029,103
Intergovernmental transfers	1,207,539	-	-	-	1,207,539
Debt service:					
Issuance costs	-	-	438,243	-	438,243
Principal	3,261,478	-	30,435,000	15,763	33,712,241
Interest	485,683	-	17,599,545	-	18,085,228
Total Expenditures	531,025,204	47,927,431	48,472,788	34,180,519	661,605,942
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,644,025)	(47,000,890)	(5,168,862)	2,245,379	(97,568,398)
OTHER FINANCING SOURCES (USES)					
Issuance of debt - general obligation bonds	-	55,000,000	-	-	55,000,000
Issuance of debt - refunding bonds	-	-	82,595,000	-	82,595,000
Premium on bond issuances	-	-	13,094,876	-	13,094,876
Transfer to escrow agent for defeased debt	-	-	(89,933,953)	-	(89,933,953)
Total Other Financing Sources and Uses	-	55,000,000	5,755,923	-	60,755,923
Net Change in Fund Balances	(47,644,025)	7,999,110	587,061	2,245,379	(36,812,475)
Fund Balances, July 1, 2024	216,611,994	46,108,399	41,662,215	48,342,643	352,725,251
Fund Balances, June 30, 2025	$ 168,967,969	$ 54,107,509	$ 42,249,276	$ 50,588,022	$ 315,912,776

MT. DIABLO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds			$ (36,812,475)
Amounts reported for governmental *activities* in the statement of activities are different because:			
In governmental funds, the costs of capital assets, lease assets, and subscription assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets, lease assets, and subscription assets are allocated over their estimated useful lives and their lease terms as depreciation expense and amortization expense, respectively. The difference between capital outlay expenditures and depreciation expense and amortization expense for the period is:			
	Expenditures for capital outlay	58,990,393	
	Depreciation expense	(27,036,136)	
	Amortization expense	(923,730)	
			31,030,527
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			121,927,241
In governmental funds, issuances of debt are recognized as other financing sources. In the government-wide statements, issuances from debt are reported as increases to liabilities. Amounts recognized in governmental funds, net of issue premium were:			(150,689,876)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The difference between current year amounts and the current year amortization was:			(497,913)
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premiums or discount for the period was:			5,112,325
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			1,911,096
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			(771,752)
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, supplemental employee retirement plans. This year, expenses incurred for such obligations were:			1,733,320
In 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:			30,374,787
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was:			(5,215,555)
Change in Net Position of Governmental Activities			$ (1,898,275)

MT. DIABLO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2025

	Custodial Fund	Trust Fund
	Debt Service Funds for Special Tax Bonds	Private-Purpose Trust Fund
ASSETS		
Deposits and investments	$ 7,164,002	$ 66,005
NET POSITION		
Restricted for:		
CFD debt service	7,164,002	-
Individuals and organizations	-	66,005
Total Net Position	$ 7,164,002	$ 66,005

MT. DIABLO UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2025

	Custodial Fund	Trust Fund
	Debt Service Funds for Special Tax Bonds	Private-Purpose Trust Fund
ADDITIONS		
Local property taxes	$ 6,607,497	$ -
Interest and investment earnings	230,549	2,312
Total Additions	6,838,046	2,312
DEDUCTIONS		
Debt service - interest	40,625	-
Debt service - principal	1,625,000	-
All other transfers out	5,531,380	-
Total Deductions	7,197,005	-
Change in fiduciary net position	(358,959)	2,312
Net position - July 1, 2024	7,522,961	63,693
Net position - June 30, 2025	$ 7,164,002	$ 66,005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the following component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus is included in the financial statements using the blended presentation method as if it were part of the District's operations because the Board of Education of the component unit is the same as the Board of Education 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 Mt. Diablo Unified School District Community Facilities District (CFD) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFD are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for the CFD.

1. Basis of Presentation

District-Wide Financial Statements
The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

2. Basis of Presentation (continued)

District-Wide Financial Statements (continued)
The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund. This fund does not meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because the fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 and 38093).

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.).

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Capital Projects Fund for Blended Component Units: This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or custodial capacity for others that cannot be used to support the District's own programs. The key distinction between trust and custodial funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary fund:

Debt Service Fund for Special Tax Bonds: This fund is used to account for the accumulation of resources for, and the repayment of, Community Facility District bonds, interest and related costs.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Encumbrances

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories

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

3. 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.

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Compensated Absences
The District has implemented GASB Statement No. 101, *Compensated Absences.* A liability is reported for unused vacation leave. Although sick leave is not paid out upon separation, a liability is recorded for the portion of sick leave that is more likely than not to be used for paid time off. The liability is measured using current pay rates and includes applicable salary-related costs.

7. Leases

Lessee:
The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying assets.

Lessor:
The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

8. Subscription-Based Information Technology Arrangements
The District recognizes a subscription liability and an intangible right-to-use subscriptions IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the lease liability, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset. The amortization period varies from 2 to 4 years.

9. Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

E. Minimum 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 Code Sections 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Code Sections 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, 2023, the District has established a minimum fund balance policy requiring no less than 3% of General Fund expenditures and other financing uses. At June 30, 2025, the District has not established a stabilization arrangement.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Change in Accounting Principle

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences.* This standard requires the recognition of accrued compensated absences as a liability in the financial statements. The implementation resulted in a cumulative effect adjustment to beginning net position to reflect the recognition of accumulated leave liabilities previously unrecorded. The impact on the District's beginning net position was a decrease of $2,498,496.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds/activities	$	327,008,601
Fiduciary funds		7,230,007
Total Deposits and Investments	$	334,238,608

Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	$	863,931
Cash in revolving fund		304,770
Cash with fiscal agent		4,696,225
Investments		340,962,480
Total Deposits and Investments	$	346,827,406

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 Contra Costa 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 Contra Costa County Treasurer, which is recorded on the amortized basis.

Local Agency Investment Fund

Mt. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Local Agency Investment Fund (continued)
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. Copies of the 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.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2025, $753,801 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments – Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Governing Board. Investments purchased with maturities greater than one year require written approval by the Superintendent or designee prior to commitment. Maturities of investments held at June 30, 2025, consist of the following:

			Maturity		
	Rating	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:					
Local Agency Investment Fund	N/A	$ 4,134,305	$ 4,134,305	$ -	Uncategorized
Contra Costa County Investment Pool	N/A	336,828,175	336,828,175	-	Uncategorized
Total Investments		$ 340,962,480	$ 340,962,480	$ -	

Investments – Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2025, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2025, the District had no investments, other than the County Investment Pool and Local Agency Investment Fund.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements
The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Contra Costa Treasury Investment Pool and Local Agency Investment Fund are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 – RECEIVABLES

A. Accounts Receivable

Accounts receivable as of June 30, 2025, consisted of the following:

	Governmental Activities		
	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:			
Categorical aid programs	$ 9,312,929	$ 1,916,618	$ 11,229,547
State Government:			
LCFF sources	14,572,597	-	14,572,597
Lottery	2,892,718		2,892,718
Categorical aid programs	2,106,447	-	2,106,447
Local:	11,195,510	2,630,919	13,826,429
Other local	1,574,343		1,574,343
Total	$ 41,654,544	$ 4,547,537	$ 46,202,081

NOTE 3 – RECEIVABLES (continued)

B. Lease Receivables

The District has lease agreements as the "lessor" to third parties under noncancellable lease agreements. The leases are for land use for cell towers, and two facilities use agreements for a private school and a charter school. The lease agreements expire through fiscal year 2042.

The District recognized $624,491 in lease revenue and $39,983 in interest revenue during the current fiscal year related to the leases. As of June 30, 2025, the District's receivable for lease payments was $1,630,898, calculated using various discount rates ranging between 0.20% and 3.22%. Also, the District has a deferred inflow of resources associated with the leases that will be recognized as revenue over the lease terms. As of June 30, 2025, the balance of the deferred inflow of resources was $1,584,864.

NOTE 4 – FUND BALANCES

At June 30, 2025, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 304,770	$ -	$ -	$ -	$ 304,770
Stores inventories	667,015	-	-	236,423	903,438
Prepaid expenditures	212,105	-	-	-	212,105
Total Nonspendable	1,183,890	-	-	236,423	1,420,313
Restricted:					
Categorical programs	69,675,305	-	-	319,985	69,995,290
Student body activities	-	-	-	746,817	746,817
Child nutrition program	-	-	-	17,189,180	17,189,180
Capital projects	-	54,107,509	-	17,347,409	71,454,918
Debt service	-	-	42,249,276	-	42,249,276
Total Restricted	69,675,305	54,107,509	42,249,276	35,603,391	201,635,481
Assigned:					
Adult education programs	-	-	-	3,103,631	3,103,631
2025-26 projected deficit	25,934,491	-	-	-	25,934,491
2026-27 projected deficit	20,904,364	-	-	-	20,904,364
2027-28 projected deficit	16,186,866	-	-	-	16,186,866
Collective bargaining contingency	14,700,000	-	-	-	14,700,000
ERP conversion	1,450,000	-	-	-	1,450,000
Legal settlements	3,000,000	-	-	-	3,000,000
Deferred maintenance program	134,787	-	-	-	134,787
Other assignments	-	-	-	11,644,577	11,644,577
Total Assigned	82,310,508	-	-	14,748,208	97,058,716
Unassigned:					
Reserve for economic uncertainties	15,798,266	-	-	-	15,798,266
Total Unassigned	15,798,266	-	-	-	15,798,266
Total	$ 168,967,969	$ 54,107,509	$ 42,249,276	$ 50,588,022	$ 315,912,776

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance, July 1, 2024	Additions	Retirements	Balance, June 30, 2025
Capital assets not being depreciated:				
Land	$ 14,436,462	$ -	$ -	$ 14,436,462
Construction in progress	113,596,326	45,104,271	64,261,485	94,439,112
Total capital assets not being depreciated	128,032,788	45,104,271	64,261,485	108,875,574
Capital assets being depreciated:				
Land improvements	129,757,098	2,795,689	-	132,552,787
Buildings	753,858,521	61,465,796	-	815,324,317
Furniture, equipment, and vehicles	47,644,029	13,886,122	-	61,530,151
Total capital assets being depreciated	931,259,648	78,147,607	-	1,009,407,255
Accumulated depreciation for:				
Land improvements	(65,065,579)	(6,627,639)	-	(71,693,218)
Buildings	(364,814,366)	(16,306,487)	-	(381,120,853)
Furniture, equipment, and vehicles	(30,705,836)	(4,102,010)	-	(34,807,846)
Total accumulated depreciation	(460,585,781)	(27,036,136)	-	(487,621,917)
Total capital assets being depreciated, net	470,673,867	51,111,471	-	521,785,338
Capital assets, net	598,706,655	96,215,742	64,261,485	630,660,912
Lease assets:				
Right-of-use lease assets	5,157,369	-	-	5,157,369
Less accumulated amortization	(1,462,599)	(923,730)	-	(2,386,329)
Lease assets, net	3,694,770	(923,730)	-	2,771,040
Governmental activity capital assets, net	$ 602,401,425	$ 95,292,012	$ 64,261,485	$ 633,431,952

Depreciation expense was charged to governmental activities as follows:

Depreciation by Function:	Governmental Activities
Instruction	$ 13,206
Supervision of instruction	10,566
All other pupil services	648,791
All other general administration	103,652
Plant services	26,259,921
Total depreciation expense	$ 27,036,136

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term liabilities other than OPEB or pensions for the fiscal year ended June 30, 2025, were as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 403,215,000	$ 137,595,000	$ 118,650,000	$ 422,160,000	$ 28,745,000
Unamortized Issuance Premium	41,230,299	13,094,876	4,718,153	49,607,022	4,094,134
Total GO Bonds	444,445,299	150,689,876	123,368,153	471,767,022	32,839,134
Certificates of Participation:					
Principal Payments	9,015,000	-	2,360,000	6,655,000	3,360,000
Unamortized Issuance Premium	808,509	-	394,172	414,337	414,337
Total Certificates of Participation	9,823,509	-	2,754,172	7,069,337	3,774,337
Construction Loan	2,946,435	-	15,763	2,930,672	-
Lease Liabilities	3,768,024	-	901,478	2,866,546	846,052
Supplemental Employee Retirement Plan	1,733,320	-	1,733,320	-	-
Compensated Absences:					
Vacation Leave	4,627,282	564,486	-	5,191,768	-
Sick Leave*	2,498,496	207,266	-	2,705,762	-
Totals	$ 469,842,365	$ 151,461,628	$ 128,772,886	$ 492,531,107	$ 37,459,523

** Beginning balance of sick leave restated due to the implementation of GASB Statement No.101*

Payments on General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the construction loan are made from the Capital Facilities Fund. Payments on the COPS are reported as a pass-through in the General Fund, from excess special tax assessments received by the Debt Service Fund for Special Assessment Debt. Additions and deductions for compensated absences are reported net of their cumulative change in the current year. The leases and supplemental retirement plan are paid from the General Fund.

A. General Obligation Bonds

Election of 2010 (Measure C)
General obligation bonds of up to $348,000,000 were approved by more than 55% of the qualified voters of the District voting on the proposition at a general election held on June 8, 2010. The Bonds were issued (i) to finance the construction, acquisition, furnishing and equipping of District facilities, (ii) to prepay certain existing outstanding lease purchase obligations of the District, and (iii) to pay certain costs of issuance associated therewith.

Election of 2018 (Measure J)
General obligation bonds were authorized at an election of the registered voters of the District held on November 6, 2018, which authorized the issuance of $150,000,000 principal amount of general obligation bonds for school facility improvements.

2025 Refunding Bonds
On May 22, 2025, the District issued 2025 Refunding General Obligation Bonds in the amount of $82,595,000. The Refunding Bonds were issued as serial bonds with interest rates of 5.0% and maturities between August 1, 2025, and August 1, 2035. The Refunding Bonds were issued by the District to refund $88,215,000 of the District’s outstanding 2010 General Obligation Refunding Bonds, Series A, issued on September 30, 2010.

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

A. General Obligation Bonds (continued)

2025 Refunding Bonds (continued)
The refunding decreased the District's total debt service payments by $12,591,683. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new debt) of $10,688,922.

Defeasance of Debt
The District has defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2025, $88,215,000 of the defeased bonds remain outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2025, deferred outflows on refunding were $4,172,919.

Summary
The Bonds are general obligations of the District, payable solely from ad valorem property taxes. The County Board is empowered and obligated to annually levy such ad valorem property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due.

A summary of all bonds issued and outstanding at June 30, 2025, follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2024	Additions	Deductions	Advance Refunded	Balance, June 30, 2025
Refunding Bonds									
2021 Refunding, Series A	10/7/2021	8/1/2031	1.25%-4.00%	$ 28,270,000	$ 11,990,000	$ -	$ 2,715,000	$ -	$ 9,275,000
2022 Refunding, Series B	5/5/2022	6/1/2037	4.00%	147,145,000	141,345,000	-	8,585,000	-	132,760,000
2023 Refunding	5/4/2023	6/1/2031	5.00%	36,450,000	35,980,000	-	955,000	-	35,025,000
2025 Refunding	5/22/2025	8/1/2035	5.00%	82,595,000	-	82,595,000	-		82,595,000
Sub-Total				294,460,000	189,315,000	82,595,000	12,255,000	-	259,655,000
Election of 2010 (Measure C)									
Series A	9/30/2010	8/1/2025	2.46%-5.77%	50,456,475	91,155,000	-	1,110,000	88,215,000	1,830,000
Series B	9/30/2010	8/1/2027	1.24%-5.55%	59,540,000	21,965,000	-	4,505,000	-	17,460,000
Series C	4/12/2011	8/1/2025	2.00%-5.40%	3,865,000	2,020,000	-	990,000	-	1,030,000
Series F	7/15/2015	8/1/2025	4.00%-5.00%	38,500,000	1,550,000	-	1,250,000	-	300,000
Series G	11/16/2016	8/1/2031	2.00%-3.00%	38,500,000	29,100,000	-	3,220,000	-	25,880,000
Sub-Total				190,861,475	145,790,000	-	11,075,000	88,215,000	46,500,000
Election of 2018 (Measure J)									
Series B	4/6/2022	8/1/2042	4.00%-5.00%	75,000,000	68,110,000	-	7,105,000	-	61,005,000
Series C	5/22/2025	8/1/2042	5.00%	55,000,000	-	55,000,000	-	-	55,000,000
Sub-Total				130,000,000	68,110,000	55,000,000	7,105,000	-	116,005,000
			Totals	$ 615,321,475	$ 403,215,000	$ 137,595,000	$ 30,435,000	$ 88,215,000	$ 422,160,000

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

A. General Obligation Bonds (continued)

Summary (continued)
The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2025-2026	$ 28,745,000	$ 21,065,015	$ 49,810,015
2026-2027	32,470,000	16,875,873	49,345,873
2027-2028	34,320,000	15,371,677	49,691,677
2028-2029	33,965,000	13,832,338	47,797,338
2029-2030	36,480,000	12,259,138	48,739,138
2030-2035	145,055,000	38,113,748	183,168,748
2035-2040	80,925,000	13,840,708	94,765,708
2040-2043	30,200,000	2,306,375	32,506,375
Totals	$ 422,160,000	$ 133,664,872	$ 555,824,872

B. Certificates of Participation
In October 2018, the District issued the 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 payments:

Fiscal Year	Principal	Interest	Total
2025-2026	$ 3,360,000	$ 248,750	$ 3,608,750
2026-2027	3,295,000	82,375	3,377,375
Totals	$ 6,655,000	$ 331,125	$ 6,986,125

C. Construction Loan
In February 2003, the Redevelopment Agency of the City of Pittsburg (City) made an interest-free loan totaling $6,178,936 to the District. The purpose of the loan was to finance the construction of an elementary school within the City of Pittsburg. Beginning June 1, 2005, the District pays 24% of all impact fees collected by the District in the City of Pittsburg incurred after January 1, 2005. The District will continue to make payments equal to 24% of impact fees collected in the City every six months on June 1st and January 1st of each year through June 1, 2040, or until the loan is paid off, whichever occurs first. The balance due on the Construction Loan as of June 30, 2025, is $2,930,672.

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

D. Lease Liabilities

The District has entered into agreements to lease various equipment. As of June 30, 2025, the District recognized a right-to-use lease asset, net of amortization, of $2,771,040 and a lease liability of $2,866,546 related to these agreements. The District is required to make principal and interest payments through January 2029. The lease agreements have discount rates that range from 0.20% to 2.85%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2025-2026	$ 846,052	$ 69,549	$ 915,601
2026-2027	791,018	47,304	838,322
2027-2028	813,859	24,464	838,323
2028-2029	415,617	3,544	419,161
Totals	$ 2,866,546	$ 144,861	$ 3,011,407

E. Supplemental Employee Retirement Plan

Effective July 2020, the District established a Supplemental Employee Retirement Plan (SERP) for certain qualifying District employees. Under the terms of the SERP, the District made annual contributions of $1,733,320 to the plan for the future benefits to be paid to qualifying employees. Payments were made equally over a period of five fiscal years, for a total obligation of $8,666,600. At June 30, 2025, the balance of future District contributions was $0.

F. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. As of June 30, 2025, all special assessment debt has been paid off.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2025, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 204,839,876	$ 19,415,940	$ 60,057,495	$ 12,256,453
MPP Program	960,279	-	-	(228,908)
Totals	$ 205,800,155	$ 19,415,940	$ 60,057,495	$ 12,027,545

The details of each plan are as follows:

District Plan

Plan Description
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, 2025, the District has not accumulated assets in a qualified trust for the purpose of paying 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, Management, & Confidental Employees	*Psychologists*	*Classified & M&O Employess*
Beneifts Provided	Mecical & Dental	Medical & Dental	Medical Only
Duration of Benefits	To age 65	To aged 65	To age 65
Required Sevice	5 years	5 years	5 years
Minimum Age	55	55	55
Dependent Coverege	Yes	Yes	Yes
District Contribution	100% up to District Cap	100% up to District Cap	100% up to Dsitrict Cap
District Cap*	Kasier HMO Rate for Retiree and Spouse if retiring on or before age 63 Kaiser HMO Rate if retireing after age 63	Kasier HMO Rate for Retiree and Spouse if retiring on or before age 60 Kaiser HMO Rate if retireing after age 60	Kaiser HMO rate for Retiree

* Some employee groups retiring in past years may be subject to caps other than those shown above.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Employees covered by benefit terms
At the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,485
Active employees	3,818
Total	5,303

Total OPEB Liability
The District's total OPEB liability of $204,839,876 for the Plan was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2025
Valuation interest rate	5.20%
Salary increases	2.75%
Healthcare cost trend rates	4.00%
Inflation	2.50%

Discount Rate
The discount rate for GASB 75 has been set equal to 5.20%, net of expenses, which is based on the Bond Buyer 20 Bond Index.

Mortality Rates
Mortality rates are based on the 2020 CalSTRS mortality tables for certificated employees and the 2021 CalPERS mortality tables for miscellaneous and school employees.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at July 1, 2024	$	204,225,407
Changes for the year:		
Service cost		10,993,510
Interest		8,108,225
Differences between expected and actual experience		17,190,732
Changes of assumptions		(28,866,008)
Benefit payments		(6,811,990)
Net changes		614,469
Balance at June 30, 2025	$	204,839,876

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:

Discount Rate		OPEB Liability
1% decrease	$	227,089,953
Current discount rate	$	204,839,876
1% increase	$	185,646,673

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:

Healthcare Cost Trend Rate		OPEB Liability
1% decrease	$	178,960,716
Current trend rate	$	204,839,876
1% increase	$	236,347,678

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2025, the District recognized OPEB expense of $12,256,453. In addition, at June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,259,189	$ 6,163,142
Changes of assumptions	4,156,751	53,894,353
Totals	$ 19,415,940	$ 60,057,495

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 3,317,128	$ 10,162,410
2027	3,317,128	10,162,410
2028	3,317,124	10,162,410
2029	1,931,543	9,987,792
2030	1,931,543	8,036,559
Thereafter	5,601,474	11,545,914
Totals	$ 19,415,940	$ 60,057,495

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2024, 4,121 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with *Education Code* Section 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability
At June 30, 2025, the District reported a liability of $960,279 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2024, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	Change Increase/ (Decrease)
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net OPEB Liability	0.360265%	0.391906%	(0.031641%)

For the year ended June 30, 2025, the District reported OPEB expense of $(228,908).

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return	3.93%
Healthcare Cost Trend Rates	5.0% for Medicare Part A, and 6.5% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population of 132,333.

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

Discount Rate
The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net 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:

Discount Rate	MPP OPEB Liability	
1% decrease	$	1,036,118
Current discount rate	$	960,279
1% increase	$	893,594

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability	
1% decrease	$	889,595
Current trend rate	$	960,279
1% increase	$	1,039,195

NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2025, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses for each of the above plans as follows:

Pension Plan	Net Pension Liability		Deferred Outflows of Resources		Deferred Inflows of Resources		Pension Expense	
CalSTRS	$	165,865,219	$	61,986,441	$	70,837,409	$	523,256
CalPERS		114,584,389		54,942,476		24,558,990		15,194,862
Totals	$	280,449,608	$	116,928,917	$	95,396,399	$	15,718,118

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

Benefits Provided
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on the members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions
The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2025, are presented above, and the District's total contributions were $34,944,032.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2025, 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 net pension liability	$	165,865,219
State's proportionate share of the net pension liability associated with the District		76,099,533
Total	$	241,964,752

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2025	**Fiscal Year Ending June 30, 2024**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.246959%	0.264957%	(0.017998%)

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2025, the District recognized pension expense of $523,256. In addition, the District recognized pension expense and revenue of $(7,270,906) for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 34,944,032	$ -
Net change in proportionate share of net pension liability	7,554,857	51,586,938
Difference between projected and actual earnings on pension plan investments	-	669,260
Changes of assumptions	726,060	11,328,019
Differences between expected and actual experience	18,761,492	7,253,192
Totals	$ 61,986,441	$ 70,837,409

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 1,761,717	$ 24,391,334
2027	15,050,084	13,268,291
2028	1,985,942	13,267,595
2029	3,178,754	10,982,433
2030	3,761,578	4,157,035
Thereafter	1,304,334	4,770,721
Totals	$ 27,042,409	$ 70,837,409

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2024, include:

Valuation Date	June 30, 2023
Experience Study	July 1, 2007, through June 30, 2022
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality amongst our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of the 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return
Public Equity	38.0%	8.00%	5.25%
Real Estate	15.0%	6.80%	4.05%
Private Equity	14.0%	9.50%	6.75%
Fixed Income	14.0%	5.20%	2.45%
Risk Mitigating Strategies	10.0%	5.00%	2.25%
Inflation Sensitive	7.0%	6.40%	3.65%
Cash/Liquidity	2.0%	2.80%	0.05%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate
The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses 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.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 295,019,950
Current discount rate (7.10%)	$ 165,865,219
1% increase (8.10%)	$ 58,015,659

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $15,366,097.

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the members' final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	27.05%	27.05%

Contributions
The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-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. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and 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. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the total District contributions were $20,049,658.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $114,584,389. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	Change Increase/ (Decrease)
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.320616%	0.333331%	(0.012714%)

For the year ended June 30, 2025, the District recognized pension expense of $15,194,862. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 20,049,658	$ -
Net change in proportionate share of net pension liability	5,710,993	11,146,958
Difference between projected and actual earnings on pension plan investments	17,042,898	12,591,956
Changes of assumptions	2,532,702	-
Differences between expected and actual experience	9,606,225	820,076
Totals	$ 54,942,476	$ 24,558,990

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 16,782,342	$ 15,195,356
2027	13,949,643	4,694,917
2028	4,160,833	2,383,096
2029	-	2,285,621
2030	-	-
Thereafter	-	-
Totals	$ 34,892,818	$ 24,558,990

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2023
Experience Study	2000-2019
Actuarial Cost Method	Individual entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

Discount Rate
The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (5.9%)	$ 170,216,065
Current discount rate (6.9%)	$ 114,584,389
1% increase (7.9%)	$ 68,628,195

C. Social Security
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2025, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2025.

NOTE 9 – JOINT VENTURES

The District is a member of Protected Insurance Program for Schools (PIPS), Northern California Relief (NCR), 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.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2025, the District had commitments with respect to unfinished capital projects of approximately $27.3 million.

C. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2025.

NOTE 11 – RISK MANAGEMENT

Property and Liability
For the fiscal year ending June 30, 2025, Mt. Diablo USD self-insures its property and liability claims up to $250,000 per occurrence. Mt. Diablo USD is a member of Northern California ReLiEF (NCR) for property coverage up to $250,000 and liability coverage up to $1,000,000 in excess of $250,000 retained limit. As a member of NCR, Mt. Diablo USD is afforded excess coverage through the Schools Association for Excess Risk (SAFER) up to $500,250,000 for property and $50,000,000 for liability.

Workers' Compensation
For the fiscal year ending June 30, 2025, Mt. Diablo USD is a member of the Protected Insurance Program for Schools (PIPS) for workers' compensation coverage. The Protected Insurance Program for Schools and Community Colleges (PIPS) is a self-insurance program that integrates risk transfer to reinsurers and risk retention by its self-insured members. This unique structure provides catastrophic protection up to $250,000,000 per occurrence and frequency protection up to $1,000,000 per occurrence in excess of a 99% undiscounted actuarial probability level.

Employee Medical Benefits
Employee life, health, and disability programs are administered through the purchase of commercial insurance and self-insurance.

NOTE 12 – ADJUSTMENTS FOR RESTATEMENTS

During the year, the District recorded the following adjustments to beginning balances at July 1, 2024:

	Statement of Activities
Net Position - July 1, 2024, as originally reported	$ (45,816,736)
Implementation of GASB Statement No.101	(2,498,496)
Net Position - July 1, 2024, as restated	$ (48,315,232)

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

MT. DIABLO NIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 337,129,805	$ 338,699,921	$ 338,675,447	$ (24,474)
Federal	20,931,605	20,540,878	19,394,238	(1,146,640)
Other State	80,576,867	91,634,158	87,892,739	(3,741,419)
Other Local	16,105,756	30,686,715	37,418,755	6,732,040
Total Revenues	454,744,033	481,561,672	483,381,179	1,819,507
Expenditures				
Current:				
Certificated Salaries	189,188,282	193,934,316	196,103,124	(2,168,808)
Classified Salaries	75,790,214	75,496,179	73,455,471	2,040,708
Employee Benefits	144,181,797	151,268,284	146,286,227	4,982,057
Books and Supplies	26,789,313	49,421,609	20,936,483	28,485,126
Services and Other Operating Expenditures	63,558,073	92,899,095	84,564,822	8,334,273
Transfers of Indirect Costs	(1,073,334)	(162,003)	(1,051,778)	889,775
Capital Outlay	1,216,809	2,357,506	2,515,489	(157,983)
Other Outgo	1,075,372	1,207,539	4,954,701	(3,747,162)
Total Expenditures	500,726,526	566,422,524	527,764,539	38,657,985
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,982,493)	(84,860,852)	(44,383,360)	40,477,492
Fund Balance, July 1, 2024	159,660,935	213,216,542	213,216,542	-
Fund Balance, June 30, 2025	$ 113,678,442	$ 128,355,690	168,833,182	$ 40,477,492

Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:

Deferred Maintenance Fund	134,787
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 168,967,969

MT. DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year Measurement Period	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20
District's proportion of the net pension liability	0.2470%	0.2650%	0.2543%	0.2250%	0.2640%
District's proportionate share of the net pension liability	$ 165,865,219	$ 201,794,104	$ 176,724,661	$ 102,193,000	$ 256,117,000
State's proportionate share of the net pension liability associated with the District	76,099,533	96,685,230	88,503,019	60,803,000	139,966,000
Totals	$ 241,964,752	$ 298,479,334	$ 265,227,680	$ 162,996,000	$ 396,083,000
District's covered payroll	$ 170,086,414	$ 156,963,206	$ 150,387,400	$ 144,109,529	$ 142,701,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	100.12%	128.56%	117.51%	70.91%	179.48%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%

Employer's Fiscal Year Measurement Period	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15
District's proportion of the net pension liability	0.2890%	0.3020%	0.2950%	0.2720%	0.2910%
District's proportionate share of the net pension liability	$ 261,393,000	$ 277,385,000	$ 272,885,000	$ 219,996,320	$ 195,912,840
State's proportionate share of the net pension liability associated with the District	142,608,000	158,817,000	161,437,000	125,258,419	103,616,018
Totals	$ 404,001,000	$ 436,202,000	$ 434,322,000	$ 345,254,739	$ 299,528,858
District's covered payroll	$ 155,566,000	$ 160,658,000	$ 156,387,000	$ 137,080,196	$ 131,676,520
District's proportionate share of the net pension liability as a percentage of its covered payroll	168.03%	172.66%	174.49%	160.49%	148.78%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

MT. DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year	**2024-25**	**2023-24**	**2022-23**	**2021-22**	**2020-21**
Measurement Period	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**
District's proportion of the net pension liability	0.3206%	0.3333%	0.3061%	0.3420%	0.3750%
District's proportionate share of the net pension liability	$ 114,584,389	$ 120,661,938	$ 105,338,867	$ 69,637,000	$ 114,917,000
District's covered payroll	$ 63,877,151	$ 58,027,134	$ 50,994,000	$ 48,771,000	$ 53,949,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.38%	207.94%	206.57%	142.78%	213.01%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	70%	70%

Employer's Fiscal Year	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**
Measurement Period	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
District's proportion of the net pension liability	0.4040%	0.4270%	0.4140%	0.3960%	0.4050%
District's proportionate share of the net pension liability	$ 117,786,000	$ 113,742,000	$ 98,730,000	$ 78,289,245	$ 59,623,699
District's covered payroll	$ 56,027,000	$ 56,267,000	$ 52,731,000	$ 47,558,749	$ 45,257,132
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.23%	202.15%	187.23%	164.62%	131.74%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

Last Ten Fiscal Years

Employer's Fiscal Year	**2024-25**	**2023-24**	**2022-23**	**2021-22**	**2020-21**
Contractually required contribution	$ 34,944,032	$ 32,486,505	$ 29,979,972	$ 25,445,548	$ 23,273,689
Contributions in relation to the contractually required contribution	34,944,032	32,486,505	29,979,972	25,445,548	23,273,689
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 182,953,045	$ 170,086,414	$ 156,963,206	$ 150,387,400	$ 144,109,529
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%

Employer's Fiscal Year	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**
Contractually required contribution	$ 25,262,435	$ 25,474,844	$ 23,182,949	$ 19,673,538	$ 14,708,705
Contributions in relation to the contractually required contribution	25,262,435	25,474,844	23,182,949	19,673,538	14,708,705
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 142,701,000	$ 155,566,000	$ 160,658,000	$ 156,387,000	$ 137,080,196
Contributions as a percentage of covered payroll	17.10%	16.38%	14.43%	12.58%	10.73%

MT. DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalPERS

For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	$ 20,049,658	$ 17,042,424	$ 14,721,484	$ 11,682,718	$ 10,095,538
Contributions in relation to the contractually required contribution	20,049,658	17,042,424	14,721,484	11,682,718	10,095,538
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered payroll	74,120,732	63,877,151	58,027,134	$ 50,994,000	$ 48,771,000
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%

Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	$ 10,667,677	$ 10,119,534	$ 8,738,265	$ 7,324,363	$ 5,634,285
Contributions in relation to the contractually required contribution	10,667,677	10,119,534	8,738,265	7,324,363	5,634,285
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 53,949,000	$ 56,027,000	$ 56,267,000	$ 52,731,000	$ 47,558,749
Contributions as a percentage of covered payroll	19.774%	18.062%	15.530%	13.890%	11.847%

MT. DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2025

*Last Ten Fiscal Years**

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Measurement Period	2024-25	2023-24	2022-23	2021-22	2020-21
Service cost	$ 10,993,510	$ 11,289,910	$ 11,941,438	$ 15,119,446	$ 13,151,256
Interest	8,108,225	7,334,026	7,119,817	4,867,822	5,748,803
Differences between expected and actual experience	17,190,732	-	(9,410,964)	-	(83,800)
Changes in assumptions	(28,866,008)	(6,747,884)	(3,270,172)	(36,320,661)	(3,670,217)
Benefit payments	(6,811,990)	(5,875,799)	(6,618,028)	(6,011,879)	(7,764,967)
Net change in total OPEB liability	614,469	6,000,253	(237,909)	(22,345,272)	7,381,075
Total OPEB liability - beginning	204,225,407	198,225,154	198,463,063	220,808,335	213,427,260
Total OPEB liability - ending	$ 204,839,876	$ 204,225,407	$ 198,225,154	$ 198,463,063	$ 220,808,335
Covered-employee payroll	$ 250,498,035	$ 243,793,708	$ 237,268,815	$ 230,918,555	$ 226,390,740
Total OPEB liability as a percentage of covered-employee payroll	81.8%	83.8%	83.5%	85.9%	97.5%

Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17
Measurement Period	2019-20	2018-19	2017-18	2016-17
Service cost	$ 12,768,210	$ 11,840,329	$ 11,716,332	$ 11,331,075
Interest	6,241,950	6,094,019	5,608,884	5,234,924
Differences between expected and actual experience	-	7,133,647	-	-
Changes in assumptions	12,470,261	4,779,925	(1,961,364)	-
Benefit payments	(6,884,164)	(6,582,820)	(6,097,600)	(5,807,238)
Net change in total OPEB liability	24,596,257	23,265,100	9,266,252	10,758,761
Total OPEB liability - beginning	188,831,003	165,565,903	156,299,651	145,540,890
Total OPEB liability - ending	$ 213,427,260	$ 188,831,003	$ 165,565,903	$ 156,299,651
Covered-employee payroll	$ 215,815,767	$ 209,529,871	$ 202,725,000	$ 202,725,000
Total OPEB liability as a percentage of covered-employee payroll	98.9%	90.1%	81.7%	77.1%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

MT. DIABLO UNIFIED SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2025

*Last Ten Fiscal Years**

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22
Measurement Period	2023-24	2022-23	2021-22	2020-21
District's proportion of net OPEB liability	0.3603%	0.3919%	0.3817%	0.3992%
District's proportionate share of net OPEB liability	$ 960,279	$ 1,189,187	$ 1,257,360	$ 1,592,354
Covered payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.71%)

This liability was not presented in previous audit years, therefore no information is available before the 2020-21 measurement period.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* and provisions of the *California Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions – There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.93 percent to 5.20 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented. As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program; therefore, the covered payroll disclosure is not applicable.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The discount rate was changed from 3.65 percent to 3.93 percent since the previous valuation.

Supplementary Information

(This page intentionally left blank)

MT. DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2025

	As Reported to CDE		As Audited*	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA & Extended Year:				
Grades TK-3	9,189.45	9,200.53	9,189.45	9,200.53
Grades 4-6	6,583.92	6,578.49	6,584.60	6,578.49
Grades 7-8	4,319.91	4,314.27	4,319.91	4,314.27
Grades 9-12	6,977.48	6,906.53	6,977.20	6,906.31
Total Regular ADA	27,070.76	26,999.82	27,071.16	26,999.60
Special Education, Nonpublic, Nonsectarian Schools:				
Grades TK-3	3.54	3.88	3.54	3.88
Grades 4-6	19.16	19.47	19.16	19.47
Grades 7-8	19.42	19.61	19.42	19.61
Grades 9-12	34.22	34.72	34.22	34.72
Total Special Education, Nonpublic, Nonsectarian Schools ADA	76.34	77.68	76.34	77.68
Total ADA	27,147.10	27,077.50	27,147.50	27,077.28

** Audit adjustments to P2 ADA include 0.40 ADA and 0.22 ADA on the Annual related to Finding 2025-005.*

MT. DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2025

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	36,008	180	Complied
Grade 1	50,400	51,855	180	Complied
Grade 2	50,400	51,937	180	Complied
Grade 3	50,400	51,937	180	Complied
Grade 4	54,000	55,824	180	Complied
Grade 5	54,000	55,824	180	Complied
Grade 6	54,000	56,920	180	Complied
Grade 7	54,000	56,920	180	Complied
Grade 8	54,000	56,920	180	Complied
Grade 9	64,800	64,855	180	Complied
Grade 10	64,800	64,855	180	Complied
Grade 11	64,800	64,855	180	Complied
Grade 12	64,800	64,855	180	Complied

MT. DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2025

General Fund	(Budget) 2026 [2]	2025 [3]	2024	2023
Revenues and other financing sources	$ 470,701,674	$ 483,381,179	$ 503,301,061	$ 491,030,162
Expenditures and other financing uses	515,024,157	527,764,539	486,325,583	438,275,675
Change in fund balance (deficit)	(44,322,483)	(44,383,360)	16,975,478	52,754,487
Adjustment for restatement	-	-	13,631,634	-
Ending fund balance	$ 124,510,699	$ 168,833,182	$ 213,216,542	$ 182,609,430
Available reserves [1]	$ 15,540,725	$ 15,798,266	$ 29,113,655	$ 28,733,951
Available reserves as a percentage of total outgo	3.0%	3.0%	6.0%	6.6%
Total long-term debt	$ 941,321,347	$ 978,780,870	$ 997,713,001	$ 983,336,619
Average daily attendance at P-2	27,431	27,147	27,108	26,512

The General Fund balance has decreased by $13.8 million over the past two years. The fiscal year 2025-26 revised budget projects a decrease of $44.3 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and anticipates incurring an operating deficit during the 2025-26 fiscal year. Long-term debt has decreased by $4.6 million over the past two years.

ADA increased by 635 compared to 2022-23. Budgeted ADA projects a further increase of 284 for 2025-26.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised budget September, 2025.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

MT. DIABLO UNIFIED SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

For the Fiscal Year Ended June 30, 2025

	General Fund	Cafeteria Fund	Building Fund
June 30, 2025, annual financial and budget report (SACS) fund balance	$ 168,828,904	$ 19,896,331	$ 54,698,096
Adjustments and reclassifications:			
Revenue overreported	-	(2,470,728)	-
Lease receivables not reported	4,278	-	-
Accounts payable overreported	-	-	414,399
Accounts payable underreported	-	-	(1,004,986)
Net adjustments and reclassifications	4,278	(2,470,728)	(590,587)
June 30, 2025, audited financial statement fund balance	$ 168,833,182	$ 17,425,603	$ 54,107,509

Charter School		
Name	Number	Inclusion in Financial Statements
Eagle Peak Montessori	0305	Not included
Rocketship Futuro Academy	1805	Not included

MT. DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	$ 1,361,124	
School Breakfast Program - Especially Needy	10.553	13526	1,068,261	
National School Lunch Program	10.555	13523	6,139,573	
USDA Donated Foods	10.555	N/A	972,815	
Supply Chain Assistance	10.555	15655	465,765	
Total Child Nutrition Cluster				$ 10,007,538
Passed through California Dept. of Social Services (CDSS):				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13393	1,798,870	
Cash in Lieu of Commodities	10.558	N/A	98,974	
Total Child and Adult Care Food Program				1,897,844
Total U.S. Department of Agriculture				11,905,382
U.S. Department of Defense:				
Junior Reserve Officers' Training Corps	12.000	N/A		314,601
Total U.S. Department of Defense				314,601
U.S. Department of Labor:				
Passed through California Dept. of Education (CDE):				
Workforce Innovation and Opportunity Act (WIOA) - Youth Program Cluster	17.259	10055		360,590
Total U.S. Department of Labor				360,590
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Education - State Grants:				
Adult Basic Education and ESL	84.002A	14508	187,121	
Adult Secondary Education	84.002	13978	80,675	
English Literacy and Civics Education	84.002A	14109	87,681	
Total Adult Education - State Grants				355,477
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies:				
Title I, Part A, Basic Grants, Low-Income and Neglected	84.010	14329	5,890,222	
School Improvement Funding for LEAs	84.010	15438	877,129	
Total Title I Grants				6,767,351
Title II, Part A, Supporting Effective Instruction	84.367	14341		1,110,998
English Language Acquisition State Grants:				
Title III, Immigrant Student Program	84.365	15146	812,219	
Title III, English Learner Student Program	84.365	14346	79,843	
Subtotal English Language Acquisition State Grants				892,062
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		996,293
Early Intervention Grants	84.181	23761		161,463
Career and Technical Education - Basic Grants to States:				
Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Section 131	84.048	14894	266,646	
Strengthening Career and Technical Education for the 21st Century (Perkins V): Adult, Section 132	84.048	14893	30,750	
Total Career and Technical Education - Basic Grants to States				297,396
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	7,641,288	
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	191,847	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	236,907	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	346,220	
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,710	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	15,157	
Total Special Education (IDEA) Cluster				8,433,129
Total U.S. Department of Education				19,014,169
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Head Start Cluster:				
Early Head Start- Child Care Partnership Grant Program	93.600	01039		91,103
Temporary Assistance for Needy Families (TANF)	93.558	N/A		350,120
Total U.S. Department of Health & Human Services				441,223
Total Expenditures of Federal Awards				$ 32,035,965

Of the federal expenditures presented in the schedule, the District provided no awards to sub-recipients.

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Instructional Time
This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

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

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

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

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 31,375,908
Differences between Federal Revenues and Expenditures:		
Supply Chain Assistance	10.555	465,765
Child and Adult Care Food Program	10.558	329,700
Federal interest subsidies	N/A	(135,408)
Total Schedule of Expenditures of Federal Awards		$ 32,035,965

Other Information

(This page intentionally left blank)

The Mt. 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 twenty-nine elementary schools and nine middle schools, five high schools, two special education schools, one continuation high school, five alternative education schools, one independent study school, and two adult education centers. There were no changes in the District's boundaries in the current year.

BOARD OF EDUCATION

Member	Office	Term Expires
Linda Mayo	President	2026
Debra Mason	Vice President	2026
Brian Lawrence[1]	Trustee	2026
Tom McDougall	Trustee	2028
Keisha Nzewi	Trustee	2028

ADMINISTRATION

Adam Clark, Ed.D.,
Superintendent

Samantha Allen,
Chief, Educational Services

Dr. Wendi Aghily,
Chief, Pupil Services and Special Education

Adrian Vargas,
Chief Business Officer

Ryan Sheehy,
Chief, Human Resources

[1] Appointed on August 4, 2025, after Trustee Cherise Khaund resigned effective June 16, 2025.

Other Independent Auditors' Reports

(This page intentionally left blank)

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Mt. 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 Mt. Diablo Unified School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2025.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2025-002 to be a significant deficiency.

Elizabeth Nigro, CPA | Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
Jessica Miller, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • Licensed by the California Board of Accountancy

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards,* and which is described in the accompanying schedule of findings and questioned costs as Finding 2025-004.

Mt. Diablo Unified School District's Response to Findings
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Nigro & Nigro, PC

Murrieta, California
December 15, 2025

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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

Governing Board
Mt. Diablo Unified School District
Concord, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mt. Diablo Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Mt. Diablo Unified School District's major federal programs for the year ended June 30, 2025. The Mt. Diablo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Mt. 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, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Elizabeth Nigro, CPA | Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
Jessica Miller, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • Licensed by the California Board of Accountancy

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Mt. Diablo Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Mt. Diablo Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Mt. Diablo Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as Finding 2025-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Mt. Diablo Unified School District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Mt. Diablo Unified School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance. Accordingly, we express no opinion on the response.

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.

Nigro & Nigro, PC

Murrieta, California
December 15, 2025

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Governing Board
Mt. Diablo Unified School District
Concord, California

Report on Compliance

Opinion
We have audited the Mt. Diablo Unified School District's (District) compliance with the requirements specified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, Mt. Diablo Unified School District complied in all material aspects with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Elizabeth Nigro, CPA | Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
Jessica Miller, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2024-25 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	**Procedures Performed**
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	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	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Areas marked as “Not Applicable” were not operated by the District.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2025-004 through 2025-008. Our opinion on each state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 15, 2025

Schedule of Findings and Questioned Costs

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516 (a)?	Yes

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.010	Title I
84.027 & 84.173	Special Education(IDEA)
84.367	Title II, Part A
84.424	Title IV, Part A

Dollar threshold used to distinguish between Type A and Type B programs:	$ 961,079
Auditee qualified as low-risk auditee?	No

State Awards

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

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

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding 2025-001: Capital Assets Reporting (20000, 30000)

Repeat Finding? Yes, repeat of Finding 2024-001

Criteria: Education Code 35168 requires LEAs to maintain a historical inventory of all equipment whose current market value exceeds $500. Federal regulations also require government agencies to maintain detailed inventory records for all equipment purchased with federal funds. Furthermore, the California School Accounting Manual (CSAM) describes policies and procedures that should be adopted and implemented by LEAs in order to maintain a detailed inventory of capital assets. Finally, Governmental Accounting Standards Board (GASB) Statement No.34 requires presentation of all capital assets at historical cost in addition to an annual allowance for depreciation in order for financial statements to be presented in accordance with accounting standards generally accepted in the United States of America.

Condition: During our review of the District's capital assets, we noted the following deficiencies:

- The District does not maintain adequate inventory records to support the net balance of $630,660,912 reported for these assets in the audit. The amount of capital additions during the fiscal year reconciles to the amounts reported for capital outlay expenditures, but there is no detailed inventory to support the amounts reported as ending balances.

- Because there is no detailed asset inventory, the District is unable to calculate depreciation on individual assets. The District calculates depreciation expense by taking the entire ending balance by category and dividing by an average life of 20 years for improvements, 50 years for buildings, and 15 years for equipment.

- Furthermore, the District does not account for disposals of assets, so no disposals are reported.

Cause: The District has not had controls in place to ensure accurate records of additions, disposals, and depreciation for several years due to a shortage of accounting staff in the Business Office.

Finding 2025-001: Capital Assets Reporting (20000, 30000) (continued)

Effect: We are unable to confirm the amounts reported in the District's financial statements for capital assets, including depreciation. As a result, the District's capital assets are susceptible to theft or fraud and are at risk of being materially misstated in the financial statements.

Recommendation: We recommend that the District hire an asset valuation company to perform a full inventory and valuation of capital assets. Additionally, we recommend that at the completion of the valuation the District design and implement controls to ensure that it has an accurate record of capital assets going forward and can properly calculate annual depreciation.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above. The District has been in communication with a few vendors in getting quotes to perform a full inventory and valuation of capital assets.

Finding 2025-002: Bank Accounts (30000)

Repeat Finding? Yes, repeat of Finding 2024-002

Criteria: Sound business practices over cash maintained in banks including maintaining electronic and physical access to all bank accounts, receiving and reconciling monthly bank statements on a timely basis, and maintaining adequate separation of duties.

Condition: The District maintains approximately 250 bank accounts, most of which are at school sites. Most of the schools have at least three accounts for ASB, clearing, and revolving. While the District was able to provide copies of the bank statements and reconciliations for most of these accounts, it could not provide us with all of them. One bank account was missing the June 30 bank statements, and twelve accounts did not have a completed bank reconciliation.

Cause: The District has experienced turnover in the accounting office and locating bank statements and reconciliations has been more challenging for the staff.

Effect: The dollar amounts in the accounts is relatively small, but without someone reviewing and reconciling the accounts, fraudulent activity could occur and go undetected.

Recommendation: We recommend that the District consider reducing the number of bank accounts that it maintains. Aside from that, the responsibility for maintaining and reviewing 250 separate bank accounts is a massive monthly undertaking that should be spread out among different employees in the accounting department.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above. The District is working with sites and reviewing all accounts to suggest better practices on what each account represents and provide periodic training for financial collection and review of bank reconciliations.

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

Finding 2025-003: Title I- Graduation Rates (50000)

Repeat Finding? No

Federal Program: Title I, Part A
Assistance Listing No. 84.010
U.S. Department of Education
Passed through California Department of Education

Criteria: 34 CFR, section 200.19(b) states, in part: High schools – (1) Graduation rate. Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State: (i) (A) A State must calculate a "four year adjusted cohort graduation rate," defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. (B) For those high schools that start after grade nine, the cohort must be calculated based on the earliest high school grade. (ii) The term "adjusted cohort" means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort. (A) The term "students who transfer into the cohort" means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12. (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, immigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

(2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.

Condition: During our review of the District's Title I program, we noted that the District did not maintain written documentation supporting that a student had enrolled in another school or in an education program that culminates in the awarding of a regular high school diploma. The District is required to maintain official written documentation supporting that a student has enrolled in another school or in an educational program that culminates in the awarding of a regular high school diploma. A student who is retained in-grade or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rates and must remain in the adjusted cohort.

Cause: The District did not maintain adequate documentation to support the removal of a student from the regulatory adjusted cohort.

Effect: We were unable to determine whether the District implemented policies and procedures for documenting the removal of students from the regulatory adjusted cohort.

Questioned Costs: None

Finding 2025-003: Title I- Graduation Rates (50000) (continued)

Context: The CDE uses the student-level data maintained in CALPADS to calculate the four-year adjusted cohort graduation rate for all LEAs in the state. We selected nine students who were identified in CALPADS as transfer students who withdrew from the District. The District was unable to provide any written documentation to confirm that one of these students transferred out of the District and emigrated to another county or enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

Recommendation: We recommend that the District implement appropriate controls necessary for documenting the removal of students from the regulatory adjusted cohort, and ensure that the supporting documentation is maintained.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above. The District acknowledges that it can be challenging to obtain documentation for students who leave the District without notification or formally withdrawing.

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

Finding 2025-004: Expanded Learning Opportunities Program (40000)

Repeat Finding? Yes, repeat of Finding 2024-007

Criteria: Education Code Section 46120(g)(6) states "Provide access," with respect to an "expanded learning opportunity program," means to enroll in the expanded learning opportunity program. If a parent or guardian has a signed expanded learning opportunity program registration form and that form is on file, the pupil shall be considered enrolled in the expanded learning opportunity program. For a local educational agency receiving an expanded learning opportunity program apportionment, transportation shall be provided for any pupil who attends a school that is not operating an expanded learning opportunity program to attend a location that is providing an expanded learning opportunity program and to return to their original location or another location that is established by the local educational agency.

Education Code Section 8483.4(b) states when a local educational agency contracts with a third party to operate a program pursuant to this article, the local educational agency shall require the third party to notify the local educational agency by the next working day following, and to submit a written report within seven days of, the occurrence of any health- or safety-related issues, including, but not limited to, issues involving criminal background clearances for employees, building safety, and any event specified in subdivision (c).

Education Code Section 8483.4(d) states when a local educational agency contracts with a third party, the local educational agency shall require the third party to request from parents or guardians pupil health information, such as whether a pupil has allergies or asthma, before pupil enrollment. Parents or guardians may provide this information at their discretion and are not required to provide pupil health information in order for the pupil to receive services pursuant to this article.

Condition: During our testing we noted the following exceptions:

- The District was unable to provide sufficient documentation to support that the students from three school sites, which did not operate the program at their own sites, were provided access to attend the program at another site except for the non-instructional days during June 2025. The District could not provide any documentation such as flyers, enrollment listing or attendance records for any students prior to the summer 2025 program.
- Three third-party vendors were identified that ran the District's ELOP program. The District was unable to verify wording within the contract or other forms of documentation that identified procedures in place to ensure that the third-party notifies the local educational agency by the next working day following, and to submit a written report within seven days of the occurrence of any health-or safety-related issues. The District was also unable to verify wording within the contract or other form of documentation that identified the third-party requests from parents or guardians pupil health information.

Cause: Inadequate record keeping.

Context: During the 2023-24 year, all sites tested operated at their own school site for regular instructional days and select sites for non-instructional days. This year the District only operated the program at select sites for both regular instructional days and non-instructional days.

The third-party contracts noncompliance was a new requirement this year.

Finding 2025-004: Expanded Learning Opportunities Program (40000) (continued)

Effect: Using the ELOP penalty calculator provided by the CDE, we have calculated a penalty of $719,441 as shown below.

ELO-P Entitlement Calculation based on Rate 1 or Rate 2	Enter entitlement amount from the LEA's ELO-P P-2 funding exhibit, Line C-8.	Rate 2
Section A-Offereing and Access Total Classroom-Based Enrollment, Grades TK/K-6	**Section A-Offereing and Access** Total Classroom-Based Enrollment, Grades TK/K-6	
Total Classroom-Based UPC, Grades TK/K-6	Enter Total Classroom-Based UPC, Grades TK/K-6	9,135
Students Eligible for ELO-P Offering and Access (Rate 1 = Item Number 3, Rate 2 = Item Number 4)	Calculated field	9,135
Number of Eligible Students Not Offered and Provided Access to ELO-P	Enter the number of students the LEA either failed to offer or provide access to ELO-P pursuant to EC 46120(b)(1) and (c)(2). If the LEA met the offering and access requirements, enter zero (0).	436
Proportional Penalty Factor	Calculated field	0.047729
ELO-P Offering and Access Penalty [EC 46120(c)(2)]	Calculated field	719,441.00
Total Penalty	Calculated field	**$ 719,441**

Recommendation: We recommend that the department tasked with operating the ELOP program develop oversight procedures and conduct self-audits to ensure that all requirements are being met and documented throughout the year.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above.

Finding 2025-005: P2 and Annual Reporting (10000)

Repeat Finding? No

Criteria: California Education Code section 46000 states: Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter. Good internal controls require the District to review its pupil attendance reporting processes and ensure that attendance policies and procedures are maintained and followed at all school sites.

Condition: During our review of ADA totals reported by the District to CDE, we noted the following misstatements: Based on our recalculation, the District misreported ADA on the P2 Report of Attendance (Line A-1) by the following amounts:

- Understated by 0.68 ADA in grades 4-6
- Overstated by 0.28 ADA in grades 9-12

Based on our recalculation, the District misreported ADA on the Annual Report of Attendance (Line-A-1) by the following amount:

- Overstated by 0.22 ADA in grades 9-12

Cause: The District underreported 0.68 ADA in grades 4-6 on their P2 Report due to a lack of oversight before submitting. The District's summary report was correct, however, the ADA was reported incorrectly on the P2 Report. All other ADA was overreported due to the District not removing short-term independent study ADA exceptions that were noted during the auditors' site testing visit.

Context: Reporting errors were noted in both P2 and Annual reporting.

Finding 2025-005: P2 and Annual Reporting (10000) (continued)

Effect: The District's calculation based on the derived values of ADA totals a questioned cost of $3,771.28.

Recommendation: We recommend that the District develop policies and procedures and implement controls to ensure that pupil attendance is recorded and reported consistently and accurately.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above. The District acknowledges the understated attendance reporting resulted in a favorable adjustment to the ADA reporting.

Finding 2025-006: Continuation Education Attendance (10000)

Repeat Finding? No

Criteria: California Education Code section 46000 states:
Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter.

California Education Code section 46170 states:
In continuation high schools and continuation education classes, a day of attendance is 180 minutes of attendance, but no pupil shall be credited with more than 15 hours of attendance per school week, proportionately reduced for those school weeks having weekday holidays on which classes are not held.

Condition: During our review of the District's Continuation Education program, we noted that the attendance system (Aeries) was programmed incorrectly to count class time during the 2024-25 school year. The system calculated an additional 15 minutes of class time per week as compared to the bell schedule. As a result, students were credited with more attendance than the scheduled class time during the P-2 and Annual reporting periods.

Context: Error is systematic, affecting all continuation students.

Cause: The District set up the instructional time schedule in the Aeries system incorrectly.

Effect: By incorrectly recalculating class time for students, the District overstated ADA for the 2024-25 school year during the P-2 and Annual reporting periods for grade span 9-12. The amount of ADA overstated cannot be determined until the system is corrected and attendance reports are re-run.

Recommendation: We recommend that the District implement internal control procedures to ensure that instructional time and pupil attendance are properly calculated and entered into the attendance accounting system for continuation education.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above. The District is working with Pupil Services and Technology in making the adjustments in the Aeries system.

Finding 2025-007: Early Middle College (40000)

Repeat Finding? No

Criteria: Pursuant to Education Code Section 46146.5(b), a day of attendance for a pupil enrolled in an early college high school or middle college high school, who is also a special part-time student enrolled in a community college under Article 1 (commencing with Section 48800) of Chapter 5 of Part 27, and who will receive academic credit upon satisfactory completion of enrolled courses, is 180 minutes of attendance.

Condition: 6 out of the 10 students tested did not meet the required 180 minutes of attendance per school day.

Context: We noted 6 errors out of the sample size of 10 tested.

Cause: The District set up the instructional time schedule in the Aeries system incorrectly.

Effect: The exception results in a financial penalty of $77,598.42 that was determined using the derived value of ADA.

Recommendation: We recommend the District review the bell schedules of students in the Early Middle College program to ensure they reach 180 minutes of regular instruction.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above.

Finding 2025-008: After School Education and Safety Program (40000)

Repeat Finding? No

Criteria: The After School Education and Safety Program (ASES) was established to serve pupils in kindergarten through grade nine. In accordance with Education Code Section 8483 (a)(1), there are stringent regulations in operating and reporting attendance for the program.

Condition: The District provided the auditors with supporting documentation for the data reported in the semi-annual report to the State. The auditor noted that the supporting documentation for one of the two sites tested was insufficient to trace to the amount reported to the State on the semi-annual. The District was unable to provide information or other supporting documentation for the data for that one site. Also, the auditor selected a sample of students for a period of two weeks to verify they were signed out according to the early release policy. The District utilizes an electronic sign-in/out program and provided the sign-in/out sheets and early release forms for all students at the sites sampled. We noted 5 days that two students were signed out early with no early release code/form.

Context: We noted 5 days that two different students were signed out of the program early, but no early release code/form was filled out for those days.

Cause: Due to a switch in provider, the District has changed systems, which caused unclear tracking leading to the reported discrepancies.

Effect: The District's semi-annual is incorrectly stated.

Finding 2025-008: After School Education and Safety Program (40000) (continued)

Recommendation: We recommend that the department tasked with operating the ASES program develop oversight procedures and conduct self-audits to ensure that all requirements are being met and documented throughout the year.

Views of Responsible Officials: The District agrees with the auditor's recommendation as stated above. The District has updated the requirements with the vendor and should now show proper tracking.

Original Finding No.	Finding	Code	Recommendation	Current Status
2024-001: Capital Assets Reporting (This is a repeat of Finding 2023-001)	Education Code 35168 requires LEAs to maintain a historical inventory of all equipment whose current market value exceeds $500. Federal regulations also require government agencies to maintain detailed inventory records for all equipment purchased with federal funds. Furthermore, the California School Accounting Manual (CSAM) describes policies and procedures that should be adopted and implemented by LEAs in order to maintain a detailed inventory of capital assets. Finally, Governmental Accounting Standards Board (GASB) Statement No.34 requires presentation of all capital assets at historical cost in addition to an annual allowance for depreciation in order for financial statements to be presented in accordance with accounting standards generally accepted in the United States of America. During our review of the District's capital assets, we noted the following deficiencies: • The District does not maintain adequate inventory records to support the net balance of $598,706,655 reported for these assets in the audit. The amount of capital additions during the fiscal year reconciles to the amounts reported for capital outlay expenditures, but there is no detailed inventory to support the amounts reported as ending balances. This is especially critical for Construction In Progress (CIP), which is a substantial component of capital assets since the District is investing significant costs into modernization and construction through the issuance of general obligation bonds. • Because there is no detailed asset inventory, the District is unable to calculate depreciation on individual assets. The District calculates depreciation expense by taking the entire ending balance by category and dividing by an average life of 20 years for improvements, 50 years for buildings, and 15 years for equipment.	20000, 30000	We recommend that the District hire an asset valuation company to perform a full inventory and valuation of capital assets. Additionally, we recommend that at the completion of the valuation the District design and implement controls to ensure that it has an accurate record of capital assets going forward and can properly calculate annual depreciation.	Not Implemented; See Finding 2025-001.

Original Finding No.	Finding	Code	Recommendation	Current Status
	• Furthermore, the District does not account for disposals of assets, so no disposals are reported.			
2024-002: Bank Accounts	Sound business practices over cash maintained in banks including maintaining electronic and physical access to all bank accounts, receiving and reconciling monthly bank statements on a timely basis, and maintaining adequate separation of duties. The District maintains approximately 250 bank accounts, most of which are at school sites. Most of the schools have at least three accounts for ASB, clearing, and revolving. While the District was able to provide copies of the bank statements and reconciliations for most of these accounts, it could not provide us with all of them. Five bank accounts were missing the June 30 bank statements, and thirteen accounts did not have a completed bank reconciliation.	30000	We recommend that the District consider reducing the number of bank accounts that it maintains. Aside from that, the responsibility for maintaining and reviewing 250 separate bank accounts is a massive monthly undertaking that should be spread out among different employees in the accounting department.	Not Implemented; See Finding 2025-002
2024-003: Time and Effort Requirements	To support salaries and wages for employees that work on federal programs, local educational agencies (LEAs) are required to maintain time and effort records that accurately reflect the work performed. These time and effort records must: (1) be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (2) be incorporated into the official records of the LEA; (3) reasonably reflect the total activity for which the employee is compensated by the LEA, not exceeding 100% of compensated activities; (4) encompass both federally assisted and all other activities compensated by the LEA on an integrated basis, but may include the use of subsidiary records as defined in the LEA's written policy; (5) comply with the established accounting policies and practices of the LEA; and (6) support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.	50000	The District must update its time and effort records and policies and procedures to ensure that all salaries and wages charged to federal programs are properly supported by a system on internal controls. Specifically, the time and effort records must accurately reflect the work performed and encompass all activities of the employee, both federal and non-federal, and be signed in a timely manner.	Implemented.

Original Finding No.	Finding	Code	Recommendation	Current Status
	Budget estimates or percentages determined before the services are performed alone do not qualify as support for charges to Federal awards. Three employees out of a sample of 25 total had exceptions related to proper time accounting documentation. One employee was missing time accounting documentation for the months of August and September 2023. The employee was terminated during the year; however, there was no time accounting done for August or September while the employee was active. Two other employees' time accounting documentation was not signed until after the close of the fiscal year in which they were accounted for.			
2024-004: Instructional Materials (This is a repeat of Finding 2023-003)	Education Code Section 60119(a)(2)(A) states: If the governing board of a school district determines that there are insufficient textbooks or instructional materials, or both, the governing board shall provide information to classroom teachers and to the public setting forth, in the resolution, for each school in which an insufficiency exists, the percentage of pupils who lack sufficient standards-aligned textbooks or instructional materials in each subject area and the reasons that each pupil does not have sufficient textbooks or instructional materials, or both, and take any action, except an action that would require reimbursement by the Commission on State Mandates, to ensure that each pupil has sufficient textbooks or instructional materials, or both, within two months of the beginning of the school year in which the determination is made. The District passed a resolution stating that there were insufficient textbooks and instructional materials but did not provide additional information as required.	70000	We recommend that the District correct the resolution as soon as possible to clarify that there are sufficient textbooks and instructional materials, if indeed that is the case.	Implemented.

Original Finding No.	Finding	Code	Recommendation	Current Status
2024-005: Home to School Transportation Reimbursement	Expenditures coded to function 3600 must be consistent with the definition in Procedure 325 in the California School Accounting Manual (CSAM). During our testing of expenditures, we noted an expenditure coded to function 3600 that was unallowable. The expenditure was $400 for repairs on a District vehicle that is not used for home to school transportation.	40000	We recommend that the District review its coding of expenditures to function 3600 and ensure that only those expenditures that align with the CSAM definition are charged to this function.	Implemented.
2024-006: Immunizations	Title 17, California Code of Regulations section 6025 requires that that each kindergarten pupil have two doses of a varicella vaccine and two doses of a measles vaccine prior to admission or have a current medical exemption from varicella and measles immunization on file. One kindergarten student was found that did not have the required two doses of varicella vaccine and two doses of measles vaccine prior to admission. The student was admitted to El Monte Elementary School and the District started claiming ADA on 8/10/2023. We verified with the student's immunization record that student did not receive their first dose of both varicella and measles vaccine until 2/4/2020. We then verified that the second dose was not received until 10/6/2023, which is more than four months after the first dose was given. Therefore, no ADA is allowed to be claimed before 10/6/2023 and 35 days will have to be removed from the student's ADA.	40000	The District needs to assign appropriate staff familiar with the immunization requirements to ensure that every student in kindergarten meets all of the requirements prior to enrolling.	Implemented.
2024-007: Expanded Learning Opportunities Program	According to Education Code 46120(b)(1)(B)(i), for at least 30 nonschool days, inclusive of extended school year days provided pursuant to paragraph (3) of subdivision (b) of Section 56345, no fewer than nine hours of in-person expanded learning opportunities per day must be provided. (ii) Extended year days may include in-person before or after school expanded learning opportunities that, when added to daily instructional minutes, recess, and meals, are not fewer than nine hours combined instructional time, recess, meals, and expanded learning opportunities per instructional day.	40000	The District should ensure all sites that are operating the ELOP program at another site are being offered transportation, and that transportation is provided in a way that allows all eligible students to attend without causing a barrier to attendance.	Partially implemented; See Finding 2025-004.

Original Finding No.	Finding	Code	Recommendation	Current Status
	In addition, the Education Code 46120(g)(6) states "For a local education agency receiving an expanded learning opportunity program apportionment, transportation shall be provided for any pupil who attends a school that is not operating an expanded learning opportunity program to attend a location that is providing an expanded learning opportunity program and to return to their original location or another location that is established by the local education agency." The District only offered 13 out of the required 30 non-instructional days. Not all sites operated the ELOP program at their own location for the Summer 2024 intersession, which consisted of 17 non-instructional days. The District was required to provide transportation to any pupil who is attending from another location, however, the District was unable to provide documentation to prove that transportation was offered for any of those 17 non-instructional days.			

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF CONCORD AND THE COUNTY OF CONTRA COSTA

*The boundaries of the Mt. Diablo Unified School District (the "**District**") are included within the cities of Concord, Pleasant Hill, Clayton, Walnut Creek, Pittsburg, Martinez, and unincorporated areas of the County of Contra Costa (the "**County**"). Given that the majority of the District lies within Concord, the demographic information included in this appendix primarily relates to city of Concord (the "**City**"). The Certificates are not a debt of the City or the County. The County, including its Board of Supervisors, officers, officials, agents and other employees, is required, only to the extent required by law, to: (i) levy and collect Special Taxes for payment of the Certificates in accordance with the law; and (ii) transmit the proceeds of such taxes to the Trustee for the payment of the principal of and interest on Certificates at the time such payment is due.*

General

The District serves all of the City, which is located in the County.

The County. The County was incorporated in 1850 as one of the original 27 counties of the State, with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County is the ninth most populous county in the State with a population of approximately 1,158,225 as of January 1, 2025.

The County provides services to residents through departments and agencies including the Departments of Building Inspection, Community Development, Economic & Redevelopment, Airports, Flood Control, Parks, and Road and Transportation. Each city within the County provides for local services such as police, fire, water, and various other services normally associated with municipalities.

The City**.** On February 5, 1905, Concord was incorporated as a City. Today, Concord is the largest city in Contra Costa County, with a population of over 122,000 residents.

Population

The following table lists population estimates for the City, the County, and the State as of January 1 each year for the last five calendar years.

CITY OF CONCORD AND COUNTY OF CONTRA COSTA
Population Estimates
Calendar Years 2021 through 2025

Area	2021	2022	2023	2024	2025
Concord	**124,903**	**123,491**	**122,507**	**123,074**	**122,650**
Contra Costa County	1,164,050	1,154,254	1,150,306	1,158,249	1,158,225
State of California	39,369,530	39,179,680	39,228,444	39,420,663	39,529,101

Source: State Department of Finance estimates.

Industry and Employment

The County is a part of the Oakland-Hayward-Berkeley Metropolitan Division (the "**MD**"). The unemployment rate in the Oakland-Hayward-Berkeley MD was 5.1 percent in August 2025 down from a revised 5.3 percent in July 2025, and above the year-ago estimate of 5.0 percent. This compares with an unadjusted unemployment rate of 5.8 percent for California and 4.5 percent for the nation during the same period. The unemployment rate was 5.1 percent in Alameda County, and 5.2 percent in Contra Costa County.

The table below list employment by industry group for the years 2020 through 2024.

OAKLAND-HAYWARD-BERKELEY MD
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
Calendar Years 2020 through 2024
(March 2024 Benchmark)

	2020	2021	2022	2023	2024
Civilian Labor Force (1)	1,425,400	1,414,000	1,432,000	1,448,500	1,448,600
Employment	1,303,300	1,329,500	1,384,800	1,392,800	1,383,700
Unemployment	122,000	84,500	47,200	55,700	64,900
Unemployment Rate	8.6%	6.0%	3.3%	3.8%	4.5%
Wage and Salary Employment(2)					
Agriculture	1,500	1,700	1,900	1,800	1,500
Mining and Logging	200	200	300	300	300
Construction	71,100	74,300	75,600	75,700	74,100
Manufacturing	98,700	106,000	112,300	111,200	104,100
Wholesale Trade	42,100	41,100	41,500	41,200	40,700
Retail Trade	101,500	105,300	106,200	105,300	103,400
Transportation, Warehousing, Utilities	44,600	47,100	51,700	52,200	52,000
Information	25,600	24,700	25,000	24,200	22,400
Finance and Insurance	35,900	34,800	33,600	32,200	31,500
Real Estate and Rental and Leasing	16,800	17,200	18,400	18,500	18,400
Professional and Business Services	184,900	190,700	194,700	188,200	186,000
Educational and Health Services	191,300	198,500	205,800	216,900	229,400
Leisure and Hospitality	84,700	92,500	108,300	111,700	110,800
Other Services	33,100	35,600	39,200	41,500	42,700
Federal Government	14,200	13,400	13,100	13,200	13,300
State Government	38,200	35,900	33,100	33,500	32,300
Local Government	113,500	111,800	115,200	117,700	121,400
Total all Industries (3)	1,097,900	1,130,800	1,175,800	1,185,100	1,184,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Columns may not sum to totals due to rounding.
Source: State of California Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, as shown in the City's Annual Comprehensive Financial Report for fiscal year ending June 30, 2025.

CITY OF CONCORD
Principal Employers

Employer	Number of Employees
John Muir Medical Ctr.	1,000 - 4,999
Mt. Diablo Unified School District	1,000 - 4,999
City of Concord	500 - 999
PG&E	500 - 999
AssetMark	250 - 499
Cerus Corporation	250 - 499
County Connection	250 - 499
Yard House	0 - 249
Mt. Diablo Resource Recovery	0 - 249
Athens Administrators Swinerton	0 - 249

Source: City of Concord, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

[Remainder of Page Intentionally Left Blank]

Largest Employers

The following tables list the largest manufacturing and non-manufacturing employers within the County as of October 2025, in alphabetical order without regard to the number of employees.

COUNTY OF CONTRA COSTA
Largest Employers
October 2025

Employer Name	Location	Industry
Bart	Richmond	Transit Lines
Bio-Rad Laboratories Inc	Hercules	Physicians & Surgeons Equip & Supls-Mfrs
C & H Sugar	Crockett	Sugar Refiners (mfrs)
Chevron Global Downstream LLC	San Ramon	Management Services
Contra Costa County Health Svc	Martinez	Government Offices-County
Contra Costa Regional Med Ctr	Martinez	Hospitals
Crash Champions Collision	Concord	Automobile Body-Repairing & Painting
East Bay Times	Walnut Creek	Newspapers (publishers/Mfrs)
Home & Hospital Program	Concord	Educational Service-Business
John Muir Health Concord Med	Concord	Hospitals
Kaiser Permanente Antioch Med	Antioch	Hospitals
Kaiser Permanente Martinez Med	Martinez	Clinics
Kaiser Permanente Walnut Creek	Walnut Creek	Hospitals
La Raza Market	Richmond	Grocers-Retail
Los Medanos College	Pittsburg	Junior-Community College-Tech Institutes
Macias Gini & O'Connell LLP	Walnut Creek	Accountants
Martinez Arts Outpatient Clnc	Martinez	Physicians & Surgeons
Martinez Refining Co LLC	Martinez	Crude Oil-Petroleum Refineries
Nordstrom	Walnut Creek	Department Stores
Oakley Union School District	Oakley	School Districts
Phillips 66	Rodeo	Service Stations-Gasoline & Oil
Phillips 66 Sn Francisco Rfnry	Rodeo	Crude Oil-Petroleum Refineries
Robert Half	San Ramon	Employment Agencies & Opportunities
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Sutter Delta Medical Ctr	Antioch	Hospitals

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2025 2nd Edition.

[Remainder of Page Intentionally Left Blank]

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total median household effective buying income for the City, the County, the State and the United States for the period 2021 through 2025.

CITY OF CONCORD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA AND UNITED STATES
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME
As of January 1, 2021 through 2025

	2021	2022	2023	2024	2025
City of Concord	$78,221	$88,865	$88,468	$92,616	$92,757
County of Contra Costa	87,804	98,409	98,536	101,689	103,380
California	67,956	77,058	77,175	80,973	82,725
United States	56,790	64,448	65,326	67,876	69,687

Source: Claritas, LLC.

[Remainder of Page Intentionally Left Blank]

Commercial Activity

Summaries of historic taxable sales within the City and County during the past five years for which data are available are shown in the following tables.

During the first two quarters of calendar year 2025, total taxable transactions in the City were reported to be $1,594,315,920, representing a 0.06% decrease from the total taxable transactions of $1,595,344,772 that were reported in the City during the first two quarters of calendar year 2024.

CITY OF CONCORD
Taxable Transactions
(Dollars in Thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2020	2,096	$2,157,309	3,622	$2,720,337
2021	1,888	2,672,273	3,303	3,294,509
2022	1,923	2,818,973	3,358	3,466,110
2023	1,925	2,735,740	3,342	3,376,164
2024	1,943	2,631,033	3,414	3,272,228

Source: State Department of Tax and Fee Administration.

During the first two quarters of calendar year 2025, total taxable transactions in the County were reported to be $10,654,887,263, representing a 1.41% decrease from the total taxable transactions of $10,807,563,066 that were reported in the County during the first two quarters of calendar year 2024.

COUNTY OF CONTRA COSTA
Taxable Transactions
(Dollars in Thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2020	15,832	$13,037,715	27,445	$17,907,507
2021	15,000	14,956,873	26,049	21,057,354
2022	15,240	15,790,210	26,633	22,521,210
2023	15,036	15,639,934	26,351	22,373,010
2024	15,185	15,677,469	26,776	22,091,501

Source: State Department of Tax and Fee Administration.

Construction Activity

Construction activity in the City and the County for the past five years for which data is available are shown in the following tables

CITY OF CONCORD
Building Permit Valuation
For Calendar Years 2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Permit Valuation					
New Single-family	$8,942.2	$6,426.4	$43,901.6	$37,662.8	$19,275.2
New Multi-family	66,600.0	378.3	47,528.3	50,637.4	9,054.2
Res. Alterations/Additions	15,766.9	22,565.1	36,144.3	31,288.9	24,013.2
Total Residential	$91,309.1	$29,369.8	$127,574.2	$119,589.1	$52,342.6
New Commercial	$7,821.6	$17,149.9	$15,429.0	$6,475.0	$7,615.0
New Industrial	3,200.0	0.0	2,510.0	2,510.0	0.0
New Other	2,298.0	3,886.2	10,574.9	49,725.8	20,331.3
Com Alterations/Additions	18,866.2	542.6	28,540.0	58,431.8	27,383.6
Total Nonresidential	$32,185.8	$21,578.7	$57,053.9	$117,142.6	$55,329.9
New Dwelling Units					
Single Family	53	52	157	157	97
Multiple Family	230	2	227	291	48
TOTAL	283	54	384	448	145

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF CONTRA COSTA
Building Permit Valuation
For Calendar Years 2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Permit Valuation					
New Single-family	$458,503.6	$605,008.9	$492,220.0	$509,605.9	$318,793.4
New Multi-family	203,967.0	273,036.5	180,263.9	180,831.9	129,381.8
Res. Alterations/Additions	213,070.0	264,419.4	330,704.1	346,446.8	290,840.2
Total Residential	$875,540.6	$1,142,464.8	$1,003,188.0	$1,036,884.6	$739,015.4
New Commercial	$175,260.2	$147,251.4	$92,978.3	$39,853.5	$43,667.9
New Industrial	50,551.2	486.2	2,510.0	3,542.1	0.0
New Other	55,865.5	89,392.6	139,806.0	258,149.1	160,331.3
Com Alterations/Additions	142,395.8	144,697.4	271,701.4	316,831.5	331,519.4
Total Nonresidential	$424,072.7	$381,827.6	$506,995.7	$618,376.2	$535,518.6
New Dwelling Units					
Single Family	1,525	2,229	1,646	1,497	1,015
Multiple Family	1,243	1,695	924	894	269
TOTAL	2,768	3,924	2,570	2,391	1,284

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

Centrally located in the East Bay region of the San Francisco Bay Area, the County is accessible to major transportation resources including Bay Area Rapid Transit which connects five counties and several cities within and outside the County, such as Oakland, Berkeley, Fremont, Walnut Creek, Pleasant Hill, Concord, Dublin and Pleasanton. The County is also in close proximity to Interstate Highways 5, 205, 580 and 680, and is approximately 20 miles east of Oakland International Airport and 30 miles northeast of San Francisco International Airport providing for convenient interstate transportation. The County is also home to two general aviation airports: Buchanan Field Airport and Byron Airport, located in the cities of Concord and Byron, respectively.

Education

The County is comprised of 19 school districts, 5 community colleges, and is both home to and has access to major universities, including California State University - East Bay, University of California - Berkeley, Mills College at Northeastern University, San Francisco State University, Golden Gate University, and St. Mary's College. The District serves approximately one-third of the territory of the County and is the largest K-12 school district within the County.

Recreation

The County is home to Mt. Diablo State Park (the "**Park**"), which was designated a State park in 1921. Within the Park, Mt. Diablo has an elevation of 3,849 feet providing a view west across the Golden Gate Bridge to the Farallon Islands, southeast to the James Lick Observatory, south to the Santa Cruz Mountains, east to the San Joaquin and Sacramento Rivers and north to Mt. Helena and Mount Lassen in the Cascades. The Park's 22,000 acres consist mostly of typical central California oak and grassland country with extensive areas of chaparral. Areas of riparian woodland, knobcone pine and coulter pine are also scattered throughout the Park. Over 400 species of plants have been identified within the Park as well as abundant wildlife including deer, raccoons, gray fox, bobcat, mountain lions and striped and spotted skunks. The Park provides guided hiking, rock climbing, horseback riding, biking, camping, and picnic facilities to visitors.

The County also contains numerous local parks and recreation facilities including Lefty Gomez Recreation Building and Ball Field Complex, an eleven acre park with ball fields, tennis courts, playground equipment, picnic and barbecue facilities and a community center, Montalvin Park, a seven acre community park with a basketball court, tennis court and picnic facilities, Montara Bay Park Community Center and Ball Field Complex, a four acre complex with a ball field and community center and Rodeo Creek Trail, a two and a half mile trail with indigenous trees, shrubs, grasses and wildflowers.

APPENDIX D

FORM OF PROPOSED OPINION OF SPECIAL COUNSEL

[Letterhead of Jones Hall LLP]

[Date of Delivery]

Board of Education
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, California 94519

OPINION: $______ Mt. Diablo Unified School District
2026 Certificates of Participation

Members of the Board of Education:

We have acted as special counsel in connection with the delivery by the Mt. Diablo Unified School District (the "District") of a Lease Agreement dated as of February 1, 2026 (the "Lease Agreement"), between the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation") as lessor and the District as lessee. Under a Trust Agreement dated as of February 1, 2026 (the "Trust Agreement"), among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), the Trustee has executed and delivered 2026 Certificates of Participation in the aggregate principal amount of $_______ (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the District under the Lease Agreement (the "Lease Payments"), which have been assigned by the Corporation to the Trustee under an Assignment Agreement dated as of February 1, 2026 (the "Assignment Agreement") between the Corporation and the Trustee.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Lease Agreement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is a school district duly organized and validly existing under the Constitution and laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the District and constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made under the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. It should be noted, however, that said interest may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest with respect to obligations such as the Certificates. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Lease Agreement.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Lease Agreement or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement and the Trust Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$__________
2026 CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
MT. DIABLO UNIFIED SCHOOL DISTRICT
to Public Property Financing Corporation of California

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is dated the date set forth below, and is executed and delivered by the Mt. Diablo Unified School District (the "**District**") in connection with the execution and delivery of the above-captioned certificates of participation (the "**Certificates**"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of February 1, 2026 (the "**Trust Agreement**"), among the District, the Public Property Financing Corporation of California and U.S. Bank Trust Company, National Association as trustee for the Certificates (the "**Trustee**").

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently ending June 30th), or March 31.

"*Dissemination Agent*" means Fieldman, Rolapp & Associates, Inc., any third-party dissemination appointed by the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Certificates.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original Underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*Trustee*" means U.S. Bank Trust Company, National Association, or any successor thereto.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing by March 31, 2027 with the report for the 2025-26 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) notice in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the Trustee and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided under this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed on or before the Annual Report Date, the following information shall be included in the Annual Report:

(i) the most recently adopted budget, or interim report showing budgeted figures, which is available at the time of filing the Annual Report;

(ii) average daily attendance in the District on an aggregate basis for the most recently completed fiscal year;

(iii) pension plan contributions for the most recently completed fiscal year;

(iv) a summary of the outstanding principal amounts of short-term borrowings, lease obligations and other long-term borrowings of the District for the most recently completed fiscal year;

(v) assessed valuation of taxable properties in the District for the most recently completed fiscal year or for the current fiscal year if available at the time of filing the Annual Report;

(vi) assessed valuation of properties of the top twenty taxpayers for the most recently completed fiscal year or for the current fiscal year if available at the time of filing the Annual Report;

(vii) if the District is not participating in the County's Teeter Plan, property tax collection delinquencies for the District for the most recently completed fiscal year or if not available at the time of the filing of the Annual Report for the prior fiscal year, if available from the County,

(viii) the most recent total Special Tax levy with respect to the District's Community Facilities District No. 1, and the amount of Special Taxes, being the total Special Tax levy net of debt service due on outstanding Special Tax Bonds or other obligations payable from a pledge of Special Taxes in said fiscal year; and

(ix) such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Certificate calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional Trustee or the change of name of a Trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, the notice of Listed Event described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a certificate call), (a)(10), (a)(13), (a)(14) , and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Lease Payments relating to the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the

Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Trustee.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized Special Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized Special Counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: ____________, 2026

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: ____________________________________

Name:

Title:

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions between DTC, the Direct Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.

Neither the District nor the Trustee take any responsibility for the information contained in this Section.

No assurances can be given that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) Certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, Direct Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (in this Appendix, the "Certificates"). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of each series of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's

MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Trustee, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to District or Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

CONTRA COSTA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTRA COSTA COUNTY

TREASURER'S

ANNUAL INVESTMENT POLICY

FISCAL YEAR 2025-2026

APPROVED BY THE BOARD OF SUPERVISORS

IN APRIL 2025

The Contra Costa County Treasurer will annually present to both the Board of Supervisors (Board) and the Treasury Oversight Committee (Committee) a statement of investment policy, which the Board shall review and approve at a public meeting. Any changes in the policy shall also be reviewed and approved by the Board at a public meeting (Gov't Code §53646(a)(1)).

OFFICE OF COUNTY TREASURER-TAX COLLECTOR
625 COURTS STREET, ROOM 100
MARTINEZ, CALIFORNIA 94553

California Municipal Treasurers Association

Investment Policy Certification

Issued on 4/24/2019

Contra Costa County

The California Municipal Treasurers Association certifies that the investment policy of the Contra Costa County complies with the current State statutes governing the investment practices of local government entities located within the State of California.

CMTA Over 50 Years of Excellence

[signature]	April 24, 2019
President	*Date*

Table of Contents

TREASURER'S ANNUAL INVESTMENT POLICY

1.0 PURPOSE

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines of surplus funds entrusted to the care of the Contra Costa County Treasurer's Office (Treasurer's Office) in accordance with applicable sections of California Government Code. All portfolio activities will be judged by the standards of the Policy and its ranking of investment objectives.

2.0 SCOPE

This Policy applies to all and only funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management. The funds covered by this Policy are accounted for and incorporated in the Contra Costa County Annual Comprehensive Financial Report (ACFR) and include but not limited to: Government Funds (e.g. general fund, special revenue funds, debt service funds, capital project funds, and permanent fund), Proprietary Funds (e.g. enterprise funds and internal service funds), and various Trust Funds.

3.0 PARTICIPANTS

This Policy restricts deposits to those agencies mandated by California Government Code as treasury deposits. However, subject to the consent of the Treasurer's Office and in accordance with section 53684, exemptions may be granted to non-mandatory depositing agencies, if it is determined that the additional deposit provides a benefit to the investment pool as a whole while not creating unmanageable liquidity risk.

4.0 IMPLEMENTATION

In order to provide direction to those responsible for management of surplus funds, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has made it available to the legislative body of local agencies that participates in the County Treasurer's investment program.

The Policy explains investable funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of brokers/dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of apportioning interest earnings and appropriating investment costs; and the criteria to request withdrawal of funds.

5.0 OBJECTIVES

Gov't Code §53600.5: When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.

5.1 Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and market risk.

5.1.a *Credit Risk*

The Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

1. Limiting investments to the safest type of securities
2. Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the Treasurer's Office will do business.
3. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

5.1.b *Market Risk*
The Treasurer's Office will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

5.2 Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

5.3 Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities may be sold prior to maturity when deemed prudent and necessary. Reasons of selling include but are not limited to:

1. **A security with declining credit may be sold early to minimize loss of principal.**
2. **A security swap would improve the quality, yield, or target duration in the portfolio.**
3. **Liquidity needs of the portfolio require that the security be sold.**
4. **Portfolio rebalancing would bring the portfolio back into compliance.**

Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

5.4 Public Trust: All investments will be in conformance with state law and county ordinances and policies. The investment of public funds is a task that must maintain the public trust.

6.0 GENERAL STRATEGY

6.1 Buy and Hold: The Treasurer will generally use the passive investment strategy known as BUY AND HOLD whereas securities are purchased with the intent of holding them to maturity. Interest income and the reinvestment of interest income usually are the only sources of return in the portfolio.

The investment program will focus on purchasing securities that will limit or reduce the potential default risk and ensure the reliability of cash flows from interest income. Generally, purchases will be laddered throughout the portfolio in order to meet the liquidity needs and reduce reinvestment risk.

7.0 STANDARD OF CARE

The following policies are designed in accordance with Government Code to provide transparency to the investment program while enhancing portfolio controls:

7.1 Prudent Investor Standard

The standard of prudence to be used by the designated representative shall be subject to the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. "Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, investments may be acquired as authorized by law." (Gov't Code §53600.3.)

For the investment of county funds in a county treasury, Government Code Section 27000.3 establishes the board of supervisors as a fiduciary that is subject to the prudent investor standard unless it delegates its investment duties to the county treasurer. For local agency funds invested in the county treasury pool, the county treasurer serves as a fiduciary and is subject to the prudent investor standard.

7.2 Ethics and Conflicts of Interest

Investment officials shall refrain from personal business activity that could conflict with proper execution and management of the Policy and investment program, or which could impair their ability to make impartial decisions. Please refer to the Contra Costa County Treasurer-Tax Collector's Conflict of Interest Code for further explanation of the prohibited activities, and their enforcements and exceptions.

7.3 Limits on Honoraria, Gifts, and Gratuities

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and brokers/dealers, and conduct day-to-day investment trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation is $630 for the period January 1, 2025, to December 31, 2026. Any violation must be reported to the State Fair Political Practices Commission.

7.4 Delegation of Authority

7.4.a Subject to Section 53607, the board of supervisors may, by ordinance, delegate to the county treasurer the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5. The county treasurer shall thereafter assume full responsibility for those transactions until the board of supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607 (Gov't Code §27000.1). For local agency funds invested in the county treasury pool, the county treasurer serves as a fiduciary and is subject to the prudent investor standard.

7.4.b Responsibility for the operation of the investment program is hereby delegated to the County Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures include references to the following: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer.

7.5 Treasury Oversight Committee

In compliance with a Board Order of the Contra Costa County Board of Supervisors, the County Contra Costa County Treasury Oversight Committee was established in November 6 of 1995. The intent of the Committee is to allow local agencies, including school districts, as well as the public, to participate in reviewing the policies that guide the investment of public funds. The mandate for the existence of the Committee was suspended in 2004 by the State of California; however, the Committee serves an important function and the Treasurer's Office has elected to continue the program.

7.5.a The Committee shall annually review and monitor the County's Investment Policy.

7.5.b The Committee shall cause an annual audit to determine the County Treasurer's compliance with the Investment Policy and all investment funds in the county Treasury.

8.0 SAFEKEEPING AND CUSTODY

8.1 Delivery vs. Payment: All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the County Treasurer's safekeeping institution prior to the release of funds.

8.2 Third-party Safekeeping: Securities will be held by an independent third-party safekeeping institution selected by the County Treasurer. All securities will be evidenced by safekeeping receipts in the County's name or in a name designated by the County Treasurer. The safekeeping institution shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011.)

8.2.a A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants or managers using the agency's funds, by book entry, physical delivery or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term of remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section.

8.2.b In compliance with this section, the securities of Contra Costa County and its agencies shall be in safekeeping at The Bank of New York Trust Company, N. A., a counterparty bank's trust department or as defined in the debt indenture and contract.

8.3 Internal Controls: The County Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Treasurer are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual that shall be reviewed and updated periodically by the County Treasurer.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgements by management.

As part of the internal controls, the investment portfolio managed by the County Treasurer shall be audited annually by both internal and external auditors.

9.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS

9.1 All transactions initiated on behalf of the Pooled Investment Fund and Contra Costa County shall be executed only through one of the following:

1. Government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York;
2. Banks and financial institutions that directly issue their own securities which have been placed on the Approved List of Brokers/Dealers and Financial Institutions;
3. Brokers/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed.

Brokers/dealers and financial institutions which have exceeded the political contribution limits as contained in Rule G-37 of the Municipal Securities Rulemaking Board within a four-year period to the County Treasurer or a member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approval List of Brokers/Dealers and Financial Institutions.

9.2 Qualifications: All financial institutions and brokers/dealers who desire to become qualified for investment transactions must complete Contra Costa County Treasurer's Office Broker/Dealer Due Diligence Questionnaire which can be obtained at www.cctax.us. An annual review of the approved brokers/dealers will be conducted by the Treasurer's Office. The Treasurer's Office may request additional documents from the brokers/dealers during the annual review. A brokers/dealer may be deleted from the Approved Brokers list without cause and without prior notification.

9.3 List of Approved Financial Institutions, Security Brokers and Dealers
A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security brokers/dealers selected for creditworthiness and qualifications stated in section 9.2. However, the County Treasury will not be limited to the financial institutions and brokers/dealers on the list. Others will be included as

long as conditions for authorized financial institutions and brokers/dealers set forth in this Policy are met. Additionally, deletions and additions are based on the maintenance of required credit quality as rated by a nationally recognized statistical-rating organization (NRSRO) or reliable financial sources.

10.0 SUITABLE AND AUTHORIZED INVESTMENTS

10.1 Authorized Investment Types: (Gov't Code §53600 et seq.) The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in the investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage and/or rating limitation for a particular category of investment, that percentage and/or rating are applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

10.1.a **Bonds issued by the local agencies**, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

10.1.b **United States Treasury notes, bonds, bills or certificates of indebtedness**, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

10.1.c **Registered state warrants or treasury notes or bonds of this state**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.

10.1.d **Registered treasury notes or bonds of any of the other 49 states** in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

10.1.e **Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.

10.1.f **Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments**, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

10.1.g **Banker's acceptances otherwise known as bills of exchange or time drafts** drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in banker's acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the Public Utilities Code).

10.1.h **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

1. The entity meets the following criteria:

- **A.** Is organized and operating in the United States as a general corporation.
- **B.** Has total assets in excess of five hundred million dollars ($500,000,000).
- **C.** Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization (NRSRO).

2. The entity meets the following criteria:

- **A.** Is organized within the United States as a special purpose corporation, trust, or limited liability company.
- **B.** Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
- **C.** Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, that have less than one hundred million dollars ($100,000,000) of investment assets under management, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, that have one hundred million dollars ($100,000,000) or more of investment assets under management may invest no more than 40 percent of their moneys in eligible commercial paper. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635:

- i. Not more than 40 percent of the local agency's money may be invested in eligible commercial paper.
- ii. Not more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.

10.1.i **Negotiable certificates of deposit** issued by a nationally- or state-chartered bank or a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section

53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

10.1.j Repurchase and reverse repurchase agreements

1. Investments in ***repurchase agreements*** or ***reverse repurchase agreements*** of any securities authorized by this section, provided that the agreements are subject to this subdivision, including the delivery requirements specified in this section, and that a signed Master Repurchase Agreement is on file in the Treasurer's Office for all financial institutions that enter into a repurchase agreement with Contra Costa County.

2. Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

3. Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

   A. The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

   B. The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

   C. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

   D. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

4. Prior approval of the governing body; only with primary dealers:

A. Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

B. For purposes of this policy, "significant banking relationship" means any of the following activities of a bank:

i. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

ii. Financing of a local agency's activities.

iii. Acceptance of a local agency's securities or funds as deposits.

5. Definitions and terms of repos, securities and securities lending:

A. "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

B. "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

C. "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

D. "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

E. For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

F. For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

10.1.k **Medium-term notes**, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

10.1.l Shares of beneficial interest

1. Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), (q), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.
2. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (l5 U.S.C. Sec. 80a-1 et seq.).
3. If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
   - **A.** Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
   - **B.** Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), (q), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).
4. If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:
   - **A.** Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
   - **B.** Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).
5. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency’s money that may be invested pursuant to this section. However, no more than 10 percent of the agency’s funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

10.1.m Moneys held by a trustee or fiscal agent and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

10.1.n **Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest** in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

10.1.o **Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond**. Securities eligible for investment under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by a NRSRO and have a maximum remaining maturity of 5 years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency’s surplus money that may be invested pursuant to this section.

10.1.p **Shares of beneficial interest issued by a joint power authority** organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing shares shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n), (q), inclusive.
3. The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

10.1.q **United States dollars denominated senior unsecured unsubordinated obligations** issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.

11.0 RESTRICTIONS AND PROHIBITIONS

11.1 Restrictions set by the Treasurer

11.1.a All investments purchased by the Treasurer’s Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by Government Code 53600 et. seq.

11.1.b All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as 1) an entity that makes smoking products from tobacco used in cigarettes, cigars and/or snuff, or for smoking in pipes or 2) a company that has total revenues of 15 percent or more from the sale of such tobacco products. The tobacco-related issuers restricted from any investment are Alliance One, Altria Group, Inc., Auri Inc., British American Tobacco PLC, Imperial Tobacco Group PLC, Kirin International

Holding Inc., Lorillard, Philip Morris International, Reynolds American, Inc., Schweitzer-Mauduit International Inc., Smokefree Innotec Inc., Star Scientific Inc., Universal Corp., and Vector Group, Ltd. The Treasury staff will update the list of tobacco-related companies when necessary.

11.1.c Debt instruments issued by the following fossil fuel companies are prohibited from being invested directly by the Treasury Pool managed by Treasurer's Office: Chevron, Exxon Mobil, Total Energies SE, BP PLC, Marathon Petroleum, Shell PLC, Valero Energy Corporation, Phillips 66. The Treasurer's Office will update the list of fossil fuel companies when necessary.

11.1.d Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.

11.1.e Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio with prior approval of the Treasurer.

11.1.f SBA loans require prior approval from the Treasurer in every transaction.

11.1.g Securities purchased through brokers will be held in safekeeping at The Bank of New York Trust Company, N.A. or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.

11.1.h Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.

11.2 Prohibitions by Government Code (§53601.6)

11.2.a A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips.

11.2.b (1) Except as provided in paragraph (2), a local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero-interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.) that are authorized for investment pursuant to Government Code Section 53600, et. seq.

(2) Notwithstanding the prohibition in paragraph (1), a local agency may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. A local agency may hold these instruments until their maturity dates.

11.2.c This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

12.0 INVESTMENT PARAMETERS

12.1 Diversification: Investments shall be diversified to minimize the risk of loss and to maximize the rate of return by:

1. Limiting investment to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),

2. Limiting investment in securities that have higher credit risks,
3. Investing in securities with varying maturities, and
4. Continuously investing a portion of the portfolio in readily available funds such as investment pools, money market funds, or repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

12.2 Maximum Maturities: To the extent possible, the County Treasurer shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than five (5) years from the date of purchase (specifically the settlement date) or in accordance with state and local statutes and ordinances. The Treasurer shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LAIF, money market funds, or overnight products to ensure that appropriate liquidity is maintained to meet ongoing obligations.

12.3 Exception to Maximum Maturity: In accordance with Government Code, the County Treasurer retains the right to petition the Board of Supervisors for approval to invest in securities with a final maturity in excess of five years. The Board of Supervisors adoption of any resolution allowing maturities beyond five years shall be considered an allowed modification to this policy and any investments made in accordance with the modification shall be allowable under this policy.

12.4 Investment Criteria[1]: All limitations set forth in this Policy are applicable only at the time of purchase. The County Treasurer has the full discretion to rebalance the portfolio when it is out of compliance owing to various reasons, such as market fluctuation.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIMUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
Bonds issued by local agencies	100%	5 years	100%	
U.S. Treasury Obligations	100%	5 years	100%	
Registered State Warrants, and CA Treasury Notes and bonds	100%	5 years	100%	
Registered Treasury Notes or Bonds of any of the other 49 state in addition to CA	100%	5 years	100%	
Bonds and Notes issued by other local agencies in California	100%	5 years	100%	
Obligations of U.S. Agencies or government sponsored enterprises	100%	5 years	100%	
Bankers Acceptances) Domestic: ($5B min. assets) Foreign: ($5B min. assets)	40% 40%	180 days 180 days	30% Aggregate 5% Aggregate	

[1] The rating requirement for each investment type is referenced in the relevant sections of California Government Code.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIMUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
Commercial paper	40%	270 days or less	10% Aggregate	No more than 10 % of the local agency's money may be invested in the commercial paper of any single issuer.
Negotiable Certificates of Deposit ($5 billion minimum assets)	30%	5 years	10% Aggregate	
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	100%	1 year	See limitations for Treasuries and Agencies above	Generally limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with Government Code
Reverse Repurchase Agreements and Securities Lending Agreements	20%	92 days	See limitations for Treasuries and Agencies above	
Corporate bonds, Medium Term Notes & Covered	30%	5 years	10% Aggregate	No more than 10 % of the local agency's money may be invested in the medium-term notes of any single issuer.
Shares of beneficial interest issued by diversified mgt. companies	20%	N/A	10% Aggregate	
Moneys held by a trustee or fiscal agent	20%	N/A		
Collateralized Notes, Bonds, Time Deposits, or other obligations	15%	5 years	5% Aggregate	Collateralized by the eligible securities at a percentage specified in Government Code
Mrtg Backed Securities/CMO's: Asset Backed Securities	20% 20%	5 Years 5 Years	5% Aggregate	No Inverse Floaters No Range Notes No Interest only strips derived from a pool of mortgages
Joint Powers Authority (JPA)	As limited by JPA	N/A	As limited by JPA	
Supranational obligations	30%	5 Years	100%	Rated "AA" or better by an NRSRO
Local Agency Investment Fund (LAIF)	As Limited by LAIF	N/A	As limited by LAIF	

13.0 EXTERNALLY MANAGED INVESTMENT POOLS, MUTUAL FUNDS AND SEPARATE ACCOUNTS

The County Treasurer may invest a portion of the investment pool assets in investment pools, mutual funds, and separate account investment funds managed by the external investment managers. A thorough due diligence shall be conducted on the external investment managers and the pool/funds prior to investing, and on a continual basis.

14.0 PORTFOLIO MANAGEMENT ACTIVITY

14.1 Passive Portfolio Management:

(See Section 6.0., General Strategy)

14.2 Purchase of Investment Securities:

Investment Securities will be purchased in the most cost effective and efficient manner by using a competitive bidding process. However, the investment securities may or may not carry the highest coupon or yield at the time of purchase after taking into consideration the various limitations of the Investment Policy and risks.

ESG investments may be considered so long as such investments achieve equivalent safety, liquidity, and yield compared to other investment opportunities.

14.3 Reviewing and Monitoring of the Portfolio:

The portfolio is closely monitored on a regular basis for compliance purposes. Both monthly and quarterly reports will review portfolio investments to ensure they are kept track of in a timely manner. The reports will also monitor the County Treasurer's investment practices and the results of such practices.

14.4 Portfolio Adjustments:

Certain actions may be taken if the portfolio becomes out of compliance. For instance, should a concentration limitation be exceeded due to an incident such as a fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses; however, the County Treasurer may choose to rebalance the portfolio earlier to bring it back into compliance if the portfolio will not suffer any losses for selling the investment prior to maturity.

14.5 Performance Standards:

The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks, such as 6-month US Treasury Bill, Fed Funds Rates Index, may be referenced for comparison purposes. However, the benchmarks may change as appropriate based on the duration of the investment pool and/or cash flow requirements.

15.0 REPORTING

15.1 Methodology: The County Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the County Treasurer to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Chief Administrative Officer, the County Auditor, the Board of Supervisors, Treasury Oversight Committee and any pool participants [Government Code 27133(e), and 53646(b)]. The report will include the following:

1. The type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and money held by the County Treasurer.
2. A description of any of the local agency's funds, investments, or programs that are under the management of contracted parties, including lending programs.
3. A current market value as of the date of the report of all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, and the source of this same valuation.
4. A statement that the portfolio is in compliance with the investment policy, or the manner in which the portfolio is not in compliance.
5. A statement denoting the ability of the County Treasurer to meet its pool's expenditure requirements for the next six months, or an explanation as to why sufficient money may not be available.
6. Listing of individual securities by type and maturity date held at the end of the reporting period.

    A. PLEDGE REPORT: Any securities that are pledged or loaned for any purpose shall be reported in the Quarterly Investment Report. The transaction details will be provided, including purpose, beginning and termination dates and all parties to the contract.

The security descriptions as to type, name, maturity date, coupon rate, CUSIP and other material information will be included.

B. REVERSE REPURCHASE AGREEMENTS REPORT: All reverse repurchase agreements entered into, whether active or inactive by the end of each quarter, shall be reported in the Treasurer's Quarterly Investment Report.

7. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity.

8. Average maturity and duration of portfolio on investments as well as the yield to maturity of the portfolio as compared to applicable benchmarks.

9. Percentage of the total portfolio which each type of investment represents.

10. Whatever additional information or data may be required by the legislative body of the local agency.

15.2 **Marking to Market:** The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that a review of the investment portfolio, in terms of value and price volatility, has been performed on a regular basis.

16.0 COMPENSATION

In accordance with Government Code §§27013 and 53684, the County Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, employee salaries and benefits, portfolio management, bank and custodial fees, software maintenance fees and other indirect costs incurred from handling and managing funds. In addition, when applicable, the costs associated with the Treasury Oversight provisions of Government Code §§ 27130-27137 shall be included as administrative costs. Costs will be deducted from interest earnings on the pool prior to apportioning and payment of interest. The County Treasurer shall annually prepare a proposed budget providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with Government Code §27013. The administrative fee will be subject to change. Fees will be deducted from interest earnings.

16.1 **Deduction of Costs:** At the discretion of the County Treasurer, the County Treasurer may deduct actual administrative costs and may make any adjustments from the interest earnings and apportions the remaining earnings to all participants based on the positive average daily balance (Government Code 53684(b)).

16.2 **Directed Investments Costs:** At the discretion of the County Treasurer, the County Treasurer may deduct from interest earnings the actual administrative costs of such directed investments (Government Code §27013).

17.0 CALCULATING AND APPORTIONING POOL EARNINGS

The Investment Pool Fund is comprised of monies from multiple units of the County, agencies, school districts and special districts. Each entity has unique cash flow demands, which dictate the type of investments the Treasurer's Office may purchase. To ensure parity among the pool members when apportioning interest earnings, the following procedures have been developed:

1. Interest is apportioned on at least a quarterly basis in accordance with Government Code §53684.

2. Interest is apportioned to pool participants based on the participant's average daily fund balance and the total average daily balance of deposits in the investment pool.
3. Interest is calculated on a cash basis for all investments in the County Treasurer's investment pool and reported to the Auditor-Controller for distribution into the funds of the participants.
4. Interest earned on the directed investments is credited to pool participants on a cash basis. Administrative costs are determined annually by the County Treasurer based on actual administrative and overhead costs incurred in the previous year.
5. The negative average daily fund balance will be charged interest at the rate of interest that is being apportioned.

18.0 DEPOSITS AND WITHDRAWALS IN THE TREASURY

18.1 Deposit by Voluntary Participants

Following are the terms and conditions for depositing funds for investment purposes by voluntary participants, i.e. entities that are not legally required to deposit their funds in the County Treasury.

18.1.a Resolution by the County Board of Supervisors authorizing the acceptance of outside participants by the County Treasury.

18.1.b Resolution by the legislative or governing body of the local agency (voluntary participant) authorizing the investment of funds pursuant to Government Code 53684.

18.2 Withdrawal Request

The Treasurer's Office has established the Withdrawal of Funds Policy for all Treasury Investment Pool participants who seek to withdraw funds from the County Treasury Investment Pool for various purposes. In accordance with California State Government Code Section 27136, all participants having funds on deposit in the Pool and seeking to withdraw their funds, shall first submit a formal written request to the County Treasurer. The County Treasurer shall evaluate the withdrawal proposals of all Pool participants upon receipt of the written requests. The evaluation process may take up to 30 days. The County Treasurer reserves the right to reject any request for withdrawal if it is in the Treasurer's opinion after thorough evaluation, that the withdrawal will violate applicable laws and/or governing documents, compromise Treasurer's fiduciary responsibility, adversely impact the stability of the Pool, or harm the interests of any Pool Participant. Such rejection shall prevent the withdrawal of the funds.

Typically, participants make withdrawals for the following two reasons: a) regular operations and b) investing or depositing funds outside the Pool in accordance with California State Government Code Section 27136 (a). The County Treasurer seeks to honor all written withdrawal requests for regular operating purposes that are approved by the County Auditor-Controller's Office in a timely fashion. However, the County Treasurer recognizes that occasionally the Pool participants may request large amounts in withdrawals to cover unexpected operational needs. To accommodate such withdrawals and allow for adequate time for adjustments to the liquidity position of the Pool, the County Treasurer expects all Pool Participants to submit their written requests within the following timeframes:

i) Withdrawals of Up to $1 million – prior to 8:00 a.m. for same day disbursement

ii) Withdrawals of between $1 million to $10 million – 1 business day in advance of disbursement

iii) Withdrawals of more than $10 million – 3 business day in advance of disbursement

Withdrawals of investment deposits from the County Treasury Investment Pool by any Pool participant shall coincide with investment maturities and/or authorized sale of securities by authorized personnel of the Pool Participant. Except for funds in the California State Local Agency

Investment Fund, a five-business-days notification may be required when authorized sale of securities is involved. In the event that the Treasurer must liquidate investments in order to honor the withdrawal request, the Participant who requests the withdrawal shall be subject to all expenses associated with the liquidation, including, but not limited to loss of principal and interest income, withdrawal penalties, and associated fees.

To maintain full fiduciary responsibility for investment and administration of the Pool, the County Treasurer shall NOT permit statutory participants to withdraw funds from and subsequently deposit the funds outside the Pool for the purpose of investments without prior approval of the County Treasurer. As permitted by the Government Code Section 53635, upon request the County Treasurer may enter into an investment agreement with a third-party investment manager on behalf of statutory participants. However, the funds shall remain in the Pool during the entire agreement period under the care of the custodian bank retained by the County Treasurer.

Voluntary participants may withdraw funds from and subsequently deposit the funds outside the Pool for investment purposes upon the County Treasurer's approval. However, such withdrawals shall be made for the entire amount of the participant's funds deposited in the Pool. Upon completion of such withdrawals, the voluntary participants will no longer be able to participate in the Pool or receive further services from the County Treasurer's Office. NO partial withdrawals from the Pool for investment purposes are permitted.

Please refer to the Withdrawal of Funds Policy, which is maintained as a separate document, for detailed guidelines and procedures.

19.0 TEMPORARY BORROWING OF POOL FUNDS

Section 6 of Article XVI of the California Constitution provides in part that "the treasurer of any city, county, or city and county shall have power and the duty to make such temporary transfers from the funds in custody as may be necessary to provide funds for meeting the obligations incurred for maintenance purposes by city, county, city and county, district, or other political subdivision whose funds are in custody and are paid out solely through the treasurer's office."

The County Auditor-Controller and the County Treasurer shall make a temporary transfer of funds to the requesting agency, not to exceed 85% of the amount of money which will accrue to the agency during the fiscal year, provided that the amount of such transfer has been determined by the County Auditor-Controller to be transferable under the constitutional and statutory provisions cited in Article XVI and has been certified by the County Treasurer-Tax Collector to be available. Such temporary transfer of funds shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year.

20.0 INVESTMENT OF BOND PROCEEDS

The County Treasurer shall invest bond proceeds using the standards of this Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by this Policy.

21.0 BUSINESS CONTINUITY PLAN

The Contra Costa County Treasurer's Business Continuity Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Laptops, tablets, smart phones, and other equivalent electronic devices shall be issued to key personnel for communicating between staff, bank and brokers/dealers. Copies of the plan shall be distributed to the treasury staff: the Assistant County Treasurer, the Treasurer's Investment Officer, the Treasurer's Investment Operations Analyst, the Accountant, and the Accounting Technician. The treasury staff shall interact with one another by home phone, cell phone, or e-mail to decide an alternate location from which to conduct daily operations.

In the event treasury staff is unable to conduct normal business operations, the custodial bank will automatically sweep all uninvested cash into an interest-bearing account at the end of the business day. Until normal business operations have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this investment policy.

22.0 POLICY CONSIDERATIONS

22.1 Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

22.2 Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the County Treasurer and any other appropriate authority.

APPROVED BROKERS

Alamo Capital
Brean Capital, LLC
California Arbitrage Management Program
Daiwa Capital Markets America Inc.
Falcon Square Capital
JP Morgan Securities LLC
Mischler Financial Group
Moreton Capital Markets LLC
Public Financial Management, Incorporated
RBC Capital Markets, LLC
Stifel, Nicolaus & Company, Inc.
TD Securities (USA) LLC
UBS Financial Services, Inc.
US Bancorp Advisors
Wells Fargo Securities

Note: The County Treasury will not be limited to the above list. Others will be included as long as all conditions for authorized brokers and/or dealers set forth in this policy are met. Additionally, deletions and additions are based on many factors including the quality of services provided by the broker/dealers. The County Treasury reserves the right to delete an Approved Broker without cause and without prior notice.

APPROVED ISSUERS

American Honda Finance
Apple Inc
Australia & New Zealand Banking Group
Bank of America
Bank of Montreal
Bank of Nova Scotia
Berkshire Hathaway
BNP Paribas
Cisco Systems Inc
Citigroup
Coca-Cola Co.
Commonwealth of Bank of Australia
Credit Agricole SA
Deere & Company
Deutsche Bank Financial LLC
Prudential
General Electric Co
General Electric Capital Corp
HSBC Bank USA
Intel Corp
JP Morgan Chase & Co
Johnson & Johnson
Koch Industries, Inc.
McDonald's Corporation
MicroSoft Corp
MUFG Bank
National Australia Bank
Nestle Capital Corp
Nordea Bank AB
Oracle Corp
Pepsico Inc
PNC Bank NA
Procter & Gamble Co
Rabobank Nederland New York
Royal Bank of Canada
Societe Generale NA
Standard Chartered Bank
State Street Bank and Trust Co
Svenska Handelsbanken AB
Toronto-Dominion Bank
Toyota Motor Credit Corp
UBS Financial
U.S. Bancorp
Walmart
Walt Disney Company
Wells Fargo Bank
Westpac Banking Corp
Westamerica Bank

Note: The County Treasury may or may not invest in the Approved Issuers and will not be limited to the above list in making investments. Other issuers may be considered as the County Treasury performs additional due diligence on each investment decision. The list does not reflect the actual portfolio holdings managed by the County Treasury.

APPROVED PRIMARY DEALERS

ASL Capital Markets Inc.
Bank of Montreal, Chicago Branch
Bank of Nova Scotia, New York Agency
BNP Paribas Securities Corp.
Barclays Capital Inc.
BofA Securities, Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets, Inc.
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co. LLC
HSBC Securities (USA) Inc.
Jefferies LLC
J.P. Morgan Securities Inc.
Mizuho Securities USA Inc.
Morgan Stanley & Co. LLC
NatWest Markets Securities Inc.
Nomura Securities International, Inc.
RBC Capital Markets, LLC
Santander US Capital Markets LLC
SMBC Nikko Securities America, Inc.
Societe Generale, New York Branch
TD Securities (USA) LLC
UBS Securities LLC.
Wells Fargo Securities, LLC

Note: The above list consists of primary dealers that serve as trading counterparties of the Federal Reserve Bank of New York in its implementation of monetary policy. These primary dealers are required to participate in all auctions of U.S. government debt. Treasury Staff will perform additional due diligence on each investment decision, and hence, may or may not use the primary dealers listed above.

CONFLICT OF INTEREST CODE

For the

TREASURER-TAX COLLECTOR'S OFFICE

This Conflict of Interest Code is promulgated under the authority of the Political Reform Act, Government Code §81000, et seq., which requires all state and local government agencies to adopt and promulgate conflict of interest codes. Section 18730 of Title 2, Division 6 of the California Code of Regulations, as adopted by the Fair Political Practices Commission (FPPC) contains the terms of a standard conflict of interest code, which may be incorporated by reference and may be amended by the FPPC after public note and hearings to conform to amendments in the Political Reform Act.

Therefore, the terms of Section 18730 of Title 2, Division 6 of the California Code of Regulations and any amendments to it duly adopted by the FPPC are hereby incorporated by reference and, along with the below stated Disclosure Categories, constitute the Conflict of Interest Code of the Treasurer-Tax Collector's Office of Contra Costa County.

Employees in the designated positions below shall file a Statement of Economic Interest (Form 700) with the Executive Secretary, designated as the filing officer, who will make the statements available for public inspection and reproduction. (California Government Code §81008) Upon receipt of the statements for the Treasurer-Tax Collector and positions that manage public investments, the Filing Officer will make and retain copies and forward the originals to the Contra Costa County Clerk-Recorder- Elections Department. (Government Code § 87500)

DESIGNATED POSITIONS

CLASS/JOB CODE TITLE	ASSIGNED CATEGORY
County Treasurer-Tax Collector*	1
Assistant County Treasurer	1
Treasurer's Investment Officer*	1
Treasurer' Investment Operations Analyst	1
Assistant County Tax-Collector	1
Tax Operations Supervisor	1
Executive Secretary – Exempt	2
Treasurer Oversight Committee members	2
Consultants**	1

* Pursuant to Government Code section 87314, the individuals occupying these designated positions are required to file a Form 700-Statement of Economic Interests as a public official who manages public investments within the meaning of Government Code Section 87200.

** The Treasurer-Tax Collector will determine in writing whether a consultant is hired to perform a range of duties that requires the consultant to comply with the disclosure requirements. The written determination is a public record and the Filing Officer will retain the determination for public inspection.

DISCLOSURE CATEGORIES

General Rule

An investment, interest in real property, or income is reportable if the business entity in which the investment is held, the interest in real property, or the income or source of income may foreseeably be affected materially by any decision made or participated in by the designated employee by virtue of the employee's position.

1. Designated Employees in Category "1" must report:

   a. All investments, interests in real property, and income, and any business entity in which the employee is a director, officer, partner, trustee, employee, or hold any position in management. Financial interests are reportable only if located within Contra Costa County or if the business entity is doing business or planning to do business in the County (and such plans are known by the designated employee) or has done business within the County at any time during the two years prior to the filing of the statement.

   b. Investments in any business entity, and income from any source and status as a director, officer, partner, trustee, employee, or hold of a position of management in any business entity, which has within the last two years contracted or foreseeably may contract with Contra Costa County, or with any special district or other public agency within the County, to provide services, supplies, materials, machinery or equipment to such County, district, or public agency.

2. Designated Employees in Category "2" must report:

   Investments in any business entity, income from any source and status as a director, officer, partner, trustee, employee or holder of a position of management in any business entity, which has within the last two years contracted, or foreseeably may contract, with Contra Costa County to provide services, supplies, materials, machinery or equipment to the Office the Treasurer-Tax Collector.

GLOSSARY OF TERMS

ACCRUED INTEREST The accumulated interest due on a bond as of the last interest payment made by the issuer.

AGENCY A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

AMORTIZATION The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

BANKERS ACCEPTANCES A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank “accepts” such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. The commercial bank assumes primary liability once the draft is accepted.

BASIS POINT A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of one percent of yield. For example, if interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis-point increase.

BENCHMARK A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BID The indicated price at which a buyer is willing to purchase a security or commodity.

BLUE SKY LAWS Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations and securities registration.

BOND A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is called the maturity date or maturity. In addition, the issuer of the bond, that is the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

BOOK VALUE Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER Any person engaged in the business of effecting transaction in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALLABLE BOND A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALL PRICE The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for the loss of income and ownership.

CALL RISK The risk to the bondholder that a bond may be redeemed prior to maturity.

CASH SALE/PURCHASE A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

CERTIFICATES OF DEPOSIT (CD) Certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable.

CLEAN UP CALL An action of a debt instrument issuer requiring early redemption of the instrument to reduce its own administrative expenses. This normally occurs when the principal outstanding is significantly reduced to a small amount, e.g., less than 10% of the original issue.

COLLATERALIZATION Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

CONVEXITY A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

COUPON RATE The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

CREDIT QUALITY The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN) A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP NUMBERS CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DELIVERY VERSUS PAYMENT (DVP) A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

DERIVATIVE SECURITY Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION A process of investing assets among a range of security types by sector, maturity, and quality rating.

DURATION A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

EARNINGS APPORTIONMENT The quarterly interest distribution of the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

ESG INVESTING Also known as “socially responsible investing,” “impact investing,” and “sustainable investing” refers to investing which prioritizes optimal environmental, social, and governance (ESG) factors or outcomes.

FAIR VALUE The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS (FED FUNDS) Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE Interest rate charged by one institution lending federal funds to the other.

FEDERAL OPEN MARKET COMMITTEE (FOMC) This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FIDUCIARY An individual who holds something in trust for another and bears liability for its safekeeping.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) FINRA is an independent, nongovernmental organization that writes and enforces the rules governing registered brokers and broker-dealer firms in the United States. Its stated mission is “to safeguard the investing public against fraud and bad practices.” FINRA regulates the trading of equities, corporate bonds, securities futures, and options.

Unless a firm is regulated by a different self-regulatory organization, it is required to be a FINRA member firm to do business.

FLOATING RATE NOTE A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g., Treasury bills, LIBOR, etc.).

FUTURES Commodities and other investments sold to be delivered at a future date.

GOVERNMENT SECURITIES An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. *See* "Treasury Bills, Notes and Bonds."

INTEREST RATE *See* "Coupon Rate."

INTERNAL CONTROLS An internal control structure is designed to ensure that the assets of the Treasurer's Investment Pool are protected from loss, theft, or misuse, and to provide reasonable assurance that this objective is met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Internal controls should address the following points:

1. Control of collusion—Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping—By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping—Securities purchased from a bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities—Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members—Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers—Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian—The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

INVERSE FLOATERS An adjustable interest rate note keyed to various indices such as LIBOR, commercial paper, federal funds, treasuries and derivative structures. The defined interest rate formula is the opposite or inverse of these indices. Interest rates and pay dates may reset daily, weekly, monthly, quarterly, semi-annually or annually.

INVERTED YIELD CURVE A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT COMPANY ACT OF 1940 Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

INVESTMENT POLICY A concise and clear statement of the objectives and parameters formulated by the investor or investment manager for a portfolio of investment securities.

INVESTMENT-GRADE OBLIGATIONS An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

LIQUIDITY Usually refers to the ability to convert assets (such as investments) into cash.

LOCAL AGENCY INVESTMENT FUND (LAIF) The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MAKE WHOLE CALL A type of call provision on a bond allowing the borrower to pay off remaining debt early. The borrower has to make a lump sum payment derived from a formula based on the net present value of future coupon payments that will not be paid because of the call.

MARK TO MARKET Valuing the inventory of held securities at its current market value.

MARKET RISK The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE Price at which a security can be traded in the current market.

MASTER REPURCHASE AGREEMENT A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY The date upon which the principal of a security becomes due and payable to the holder.

MEDIUM-TERM NOTES (MTNS) Corporate debt obligations continuously offered in a broad range of maturities. MTNs were created to bridge the gap between commercial paper and corporate bonds. The key characteristic of MTNs is that they are issued on a continuous basis.

MONEY MARKET INSTRUMENTS Private and government obligations of one year or less.

MONEY MARKET MUTUAL FUNDS Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, banker's acceptances, repos and federal funds).

MUTUAL FUND An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

MUTUAL FUND STATISTICAL SERVICES Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services and Morningstar.

NEGOTIABLE CERTIFICATES OF DEPOSIT May be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit plus interest earned to the bearer of the certificate at maturity.

NET ASSET VALUE The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below)

[(Total assets) – (Liabilities]/(Number of shares outstanding)

NO LOAD FUND A mutual fund which does not levy a sales charge on the purchase of its shares.

NOMINAL YIELD The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

NON-NEGOTIABLE CERTIFICATES OF DEPOSIT For public funds, these certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed-maturity basis and often pay higher interest rates than are permissible on other savings or time-deposit accounts.

OFFER The price of a security at which a person is willing to sell.

OPTION A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PAR Face value of principal value of a bond, typically $1,000 per bond.

PAR VALUE The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

POSITIVE YIELD CURVE A chart formation that illustrates short-term securities having lower yields than long-term securities.

PREMIUM The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

PRIME RATE A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

PRINCIPAL The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

PROSPECTUS A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

PRUDENT PERSON RULE An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

RANGE NOTES A security whose rate of return is pegged to an index. The note defines the interest rate minimum or floor and the interest rate maximum or cap. An example of an index may be federal funds. The adjustable rate of interest is determined within the defined range of the funds.

RATE OF RETURN The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.

REINVESTMENT RISK The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT OR RP OR REPO An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

RULE 2A-7 OF THE INVESTMENT COMPANY ACT Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

SAFEKEEPING Holding of assets (e.g., securities) by a financial institution.

SECURITIES LENDING A transaction wherein the Treasurer's Pool transfers its securities to a broker/dealer or other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SERIAL BOND A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

SETTLEMENT DATE The date used in price and interest computations, usually the date of delivery.

SINKING FUND Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

SLUGS An acronym for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLUGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

STRIPS US Treasury acronym for "separate trading of registered interest and principal of securities." Certain registered Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

SUPRANATIONAL Supranational is an international organization, or union, whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping. Examples of supranational are International Bank for Reconstruction and Development, International Finance Corporation, European Union, and World Trade Organization.

SWAP Generally refers to an exchange of securities, with essentially the same par value, but may vary in coupon rate, type of instrument, name of issuer and number of days to maturity. The purpose of the SWAP may be to enhance yield, to shorten the maturity or any benefit deemed by the contracting parties.

TERM BONDS Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

TOTAL RETURN The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period: (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

TREASURY SECURITIES Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds:

1. **Bills** Short-term obligations that mature in one year or less and are sold at a discount in lieu of paying periodic interest.
2. **Notes** Interest-bearing obligations that mature between one year and 10 years.
3. **Bonds** Interest-bearing long-term obligations that generally mature in 10 years or more.

UNIFORM NET CAPITAL RULE SEC Rule 15C3-1 outlining capital requirements for brokers/dealers.

U.S. AGENCY OBLIGATIONS Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

U.S. TREASURY OBLIGATIONS Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

VOLATILITY A degree of fluctuation in the price and valuation of securities.

"VOLATILITY RISK" RATING A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("S1+" by S&P) to those that are highly sensitive with currently identifiable market volatility risk ("S6" by S&P).

WEIGHTED AVERAGE MATURITY (WAM) The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI) A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD The current rate of return on an investment security generally expressed as a percentage of the security's current price.

YIELD-TO-CALL (YTC) The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD CURVE A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITY A security that makes no periodic interest payments but instead is sold at a discount from its face value.

CONTRA COSTA COUNTY

TREASURER’S QUARTERLY INVESTMENT REPORT

AS OF SEPTEMBER 30, 2025

TABLE OF CONTENTS

EXECUTIVE SUMMARY

- The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq..

- The Treasurer's investment portfolio is in compliance with the Treasurer's current investment policy.

- The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives.

- As of 9/30/25, the fair value of the Treasurer's investment portfolio was 100.05% of the cost. More than 80 percent of the portfolio or over $5.0 billion will mature in less than a year. Historical activities combined with future cash flow projections indicate that the County should be able to meet its cash flow needs for the next six months.

- Treasurer's Investment Portfolio Characteristics

Par	$6,177,059,462.22
Cost	$6,151,620,555.05
Market Value[i]	$6,154,987,983.81
Weighted Yield to Maturity	4.08%
Weighted Average Days to Maturity	281 days
Weighted Duration	0.70 year

Notes:

1. All reporting information is unaudited but due diligence was utilized in its preparation. The information in this report may be updated and is subject to change without notice. Changes will be reflected in the next report.
2. There may be minor differences between the investment pool summary pages and the attached statements and exhibits from time to time. The variances are largely due to rounding errors, the timing difference in recording and/or posting transactions, interests, security values, etc.
3. All securities and amounts reported are denominated in U.S. Dollars.

[i] A rising rate market will produce unrealized losses in a fixed income portfolio. Mark-to-market losses in bond holdings are not realized losses, bonds are expected to mature at par. The opposite is true for a declining rate market.

CONTRA COSTA COUNTY INVESTMENT POOL
September 30, 2025

TYPE	PAR VALUE	COST	FAIR VALUE [5]	PERCENT OF TOTAL COST
A. Investments Managed by Treasurer's Office				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$275,145,000.00	$270,177,083.21	$270,393,817.16	4.39%
2. U.S. Agencies				
Federal Home Loan Banks	709,450,000.00	705,303,796.64	703,949,983.15	11.47%
Federal National Mortgage Association	260,000,000.00	259,130,687.00	259,387,280.00	4.21%
Federal Farm Credit Banks	555,670,000.00	554,964,060.99	557,412,037.60	9.02%
Federal Home Loan Mortgage Corporation	195,875,000.00	195,374,686.81	195,295,358.13	3.18%
Subtotal	1,720,995,000.00	1,714,773,231.44	1,716,044,658.88	27.88%
3. Supranationals - International Government	649,107,000.00	647,340,981.79	648,131,668.86	10.52%
4. Money Market Instruments				
Commercial Paper	1,723,618,000.00	1,713,572,036.28	1,713,636,528.61	27.86%
Negotiable Certificates of Deposit	725,000,000.00	725,000,000.00	725,188,805.00	11.79%
Time Deposit	3,415.19	3,415.19	3,415.19	0.00%
Subtotal	2,448,621,415.19	2,438,575,451.47	2,438,828,748.80	39.64%
5. Corporate Notes	156,687,000.00	154,891,548.47	154,207,318.04	2.52%
TOTAL (Section A.)[1]	5,250,555,415.19	5,225,758,296.38	5,227,606,211.74	84.95%
B. Investments Managed by Outside Contractors				
1. PFM	88,422,380.60	87,999,790.21	88,929,381.58	1.43%
2. Local Agency Investment Fund (LAIF) [3]	201,529,430.28	201,529,430.28	201,529,430.28	3.28%
3. Allspring Global Investments	44,182,468.07	43,963,270.10	44,553,192.13 [2]	0.71%
4. CAMP[3]	410,088,462.75	410,088,462.75	410,088,462.75	6.67%
5. CalTRUST (Liquidity Fund)[3]	100,000,000.00	100,000,000.00	100,000,000.00	1.63%
6. US Bank (Federated Tax Free Cash Fund) [3]	19,520,129.53	19,520,129.53	19,520,129.53	0.32%
7. Other				
a. EBRCS Bond[3,6]	449,307.87	449,307.87	449,307.87	0.01%
TOTAL (Section B.)	864,192,179.10	863,550,390.74	865,069,904.14	14.04%
C. Cash[3]	62,311,867.93	62,311,867.93	62,311,867.93	1.01%
[4]**GRAND TOTAL (FOR A , B, & C)**	$6,177,059,462.22	$6,151,620,555.05	$6,154,987,983.81	100.00%

Notes:

1. Excludes funds managed by PFM retained by Contra Costa School Insurance Group and Community College District.

2. Base Market Value plus Accrued Interest.

3. Par Value, Cost, and Fair Value reflect the account ending balance as of the quarter end.

4. Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority.

5. A rising rate market will produce unrealized losses in a fixed income portfolio. Mark-to-market losses in bond holdings are not realized losses, bonds are expected to mature at par. The opposite is true for a declining rate market.

6. East Bay Regional Communications System Authority Revenue Bond 2011 Series B maturing on June 1st 2027.

CONTRA COSTA COUNTY INVESTMENT POOL

September 30, 2025

CONTRA COSTA COUNTY INVESTMENT POOL - EARNING STATISTICS

	Fiscal Year To Date	Quarter To Date
Average Daily Balance ($)	6,250,046,940.26	6,250,046,940.26
Interest Earnings ($)[1]	64,768,140.87	64,768,140.87
Earned Income Yield	4.06%	4.06%

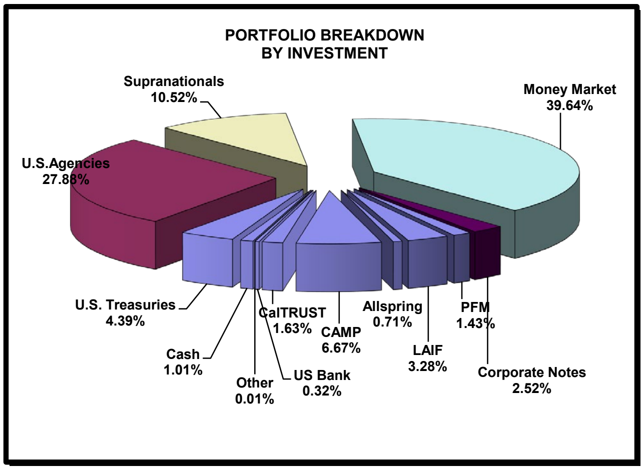
CONTRA COSTA COUNTY INVESTMENT POOL - PORTFOLIO STATISTICS

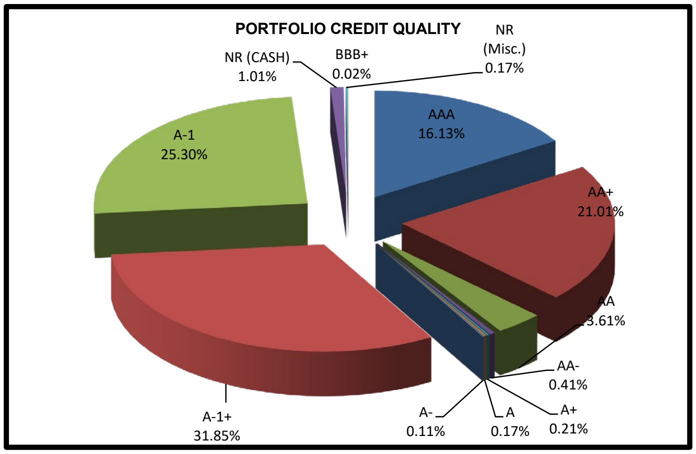
Investment Type	Par Value ($)	Fair Value ($)	YTM (%)		WAM (days)	Percentage of Portfolio
U.S. Treasury	275,145,000.00	270,393,817.16	4.11		170	4.39%
Agencies	1,720,995,000.00	1,716,044,658.88	3.86		603	27.88%
Commercial Paper	1,723,618,000.00	1,713,636,528.61	4.33		51	27.84%
NCD/YCD	725,000,000.00	725,188,805.00	4.39		61	11.78%
Corporate Notes	156,687,000.00	154,207,318.04	2.61		472	2.51%
Time Deposit	3,415.19	3,415.19	0.08		266	0.00%
Supranationals	649,107,000.00	648,131,668.86	3.77		548	10.53%
PFM	88,422,380.60	88,929,381.58	4.38		779	1.44%
LAIF	201,529,430.28	201,529,430.28	4.24	[4]	1	3.27%
CAMP	410,088,462.75	410,088,462.75	4.36	[5]	0	6.66%
CalTRUST (Liquidity)	100,000,000.00	100,000,000.00	4.32	[6]	0	1.62%
Allspring Global Investments	44,182,468.07	44,553,192.13	3.98		379	0.72%
US Bank (Federated Tax Free)	19,520,129.53	19,520,129.53	3.02		0	0.32%
Misc.[7]	449,307.87	449,307.87	N/A		N/A	0.01%
Cash	62,311,867.93	62,311,867.93	4.00	[2]	0	1.01%
Total Fund[3]	**6,177,059,462.22**	**6,154,987,983.81**	**4.08**		**281**	**100.00%**

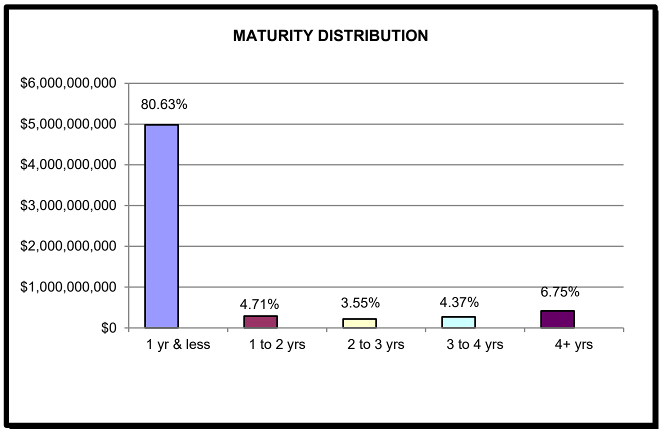
1. The sum of the investment interest earnings from the following portfolios: investment pool managed by Treasury Staff, PFM, CAMP, LAIF, CalTRUST, Allspring, and US Bank.
2. Average Earning Allowance of WFB for this quarter.
3. Excludes the Futuris Public Entity Trust of the CCCCD Retirment Board of Authority.
4. PMIA Quarter to Date yield.
5. Distribution Yield as of the quarter end.
6. 30 Day SEC Yield as of the quarter end.
7. East Bay Regional Communications System Authority.

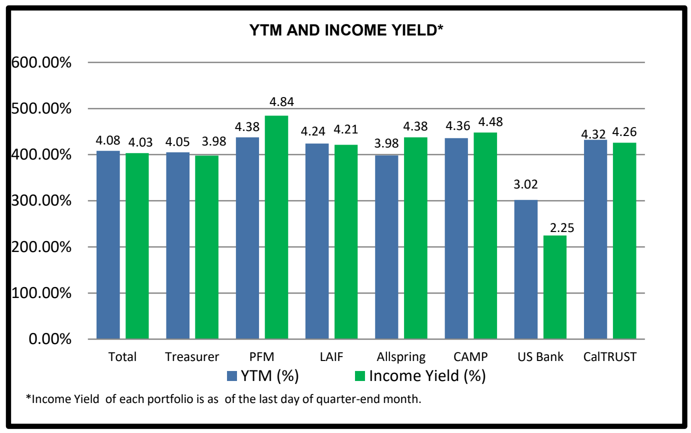
CONTRA COSTA COUNTY
INVESTMENT POOL
AT A GLANCE

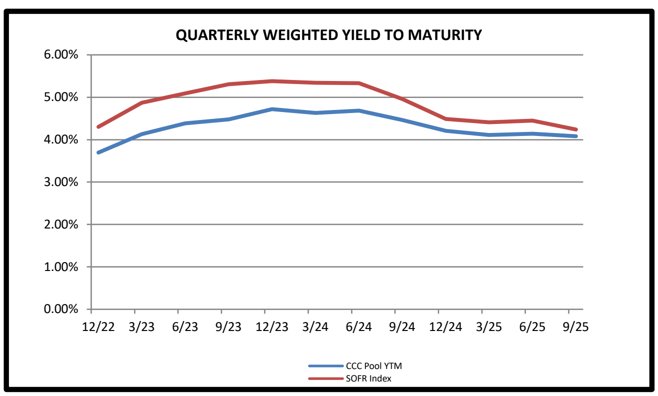
September 30, 2025

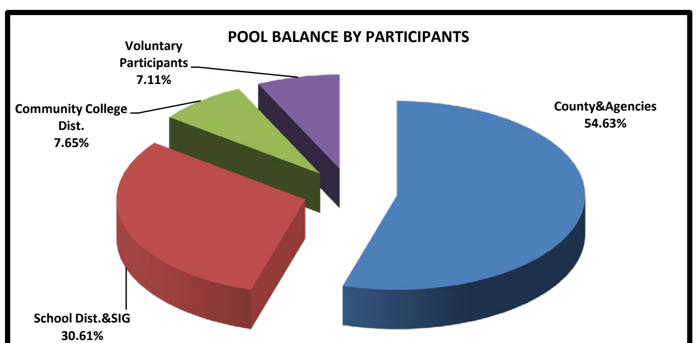












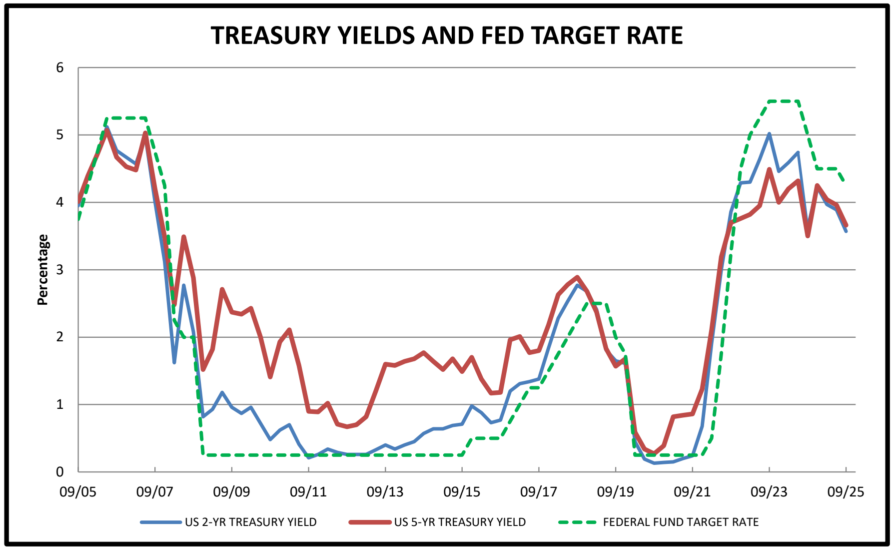
Source: 1049 report from the Workday system. Data is unaudited and based on best knowledge.

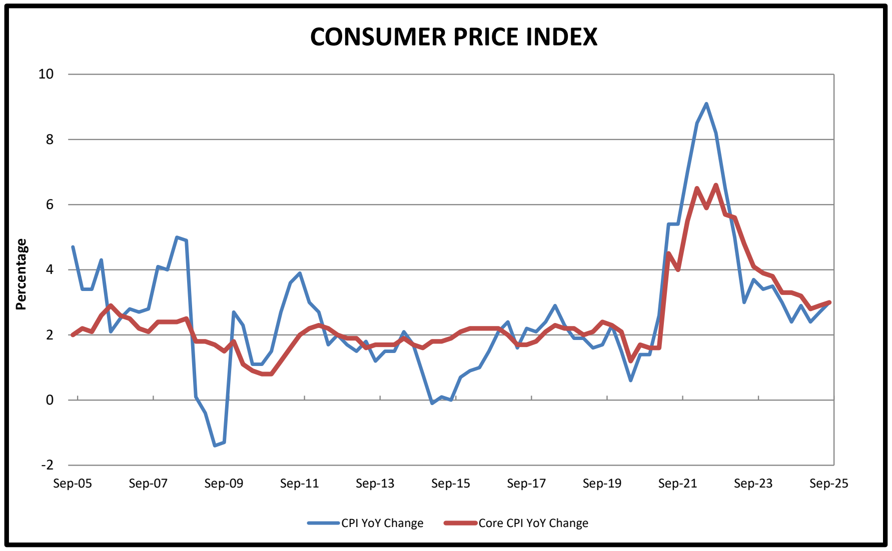
NOTES TO INVESTMENT PORTFOLIO SUMMARY AND AT A GLANCE:

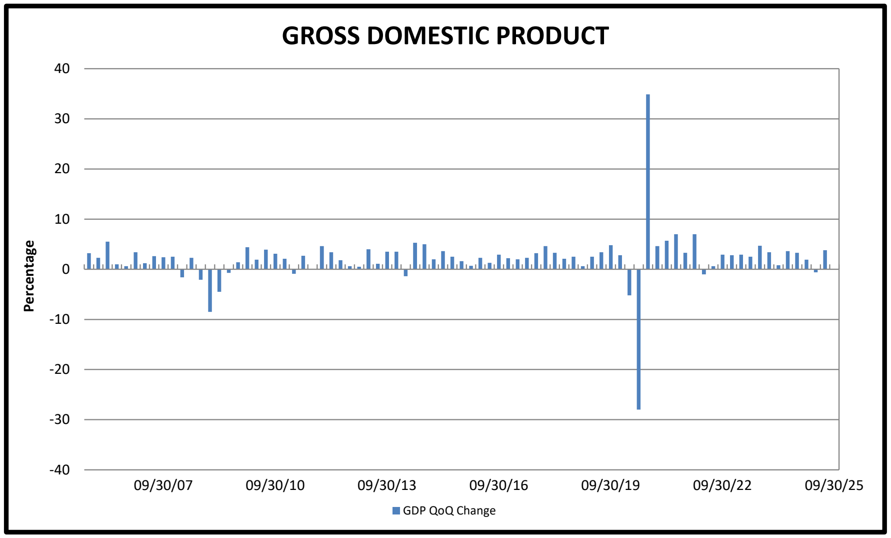
1. All report information is unaudited but due diligence was utilized in its preparation. The information in the entire report is obtained at time of preparation hence may be updated after publishing and is subject to change without notice. Changes will be reflected in the next report.
2. There may be slight differences between the portfolio summary/at a glace pages and the attached statements/exhibits from time to time. The variances are largely due to rounding, the timing difference in recording and/or posting transactions, inerestes, security values, etc.
3. All securities and amounts included in the portfolio are denominated in United States Dollars.
4. The Contra Costa County investment portfolio maintains Standard & Poor's highest credit quality rating of AAAf and lowest volatility of S1+. The portfolio consists of a large portion of short-term investments with credit rating of A-1/P-1 or better. The majority of the long-term investments in the portfolio are rated AA or better.
5. In accordance with Contra Costa County's Investment Policy, the Treasurer's Office has constructed a portfolio that safeguards the principal, meets the liquidity needs and achieves a return. As a result, more than 80% of the portfolio will mature in less than a year with a weighted average maturity of 281 days.

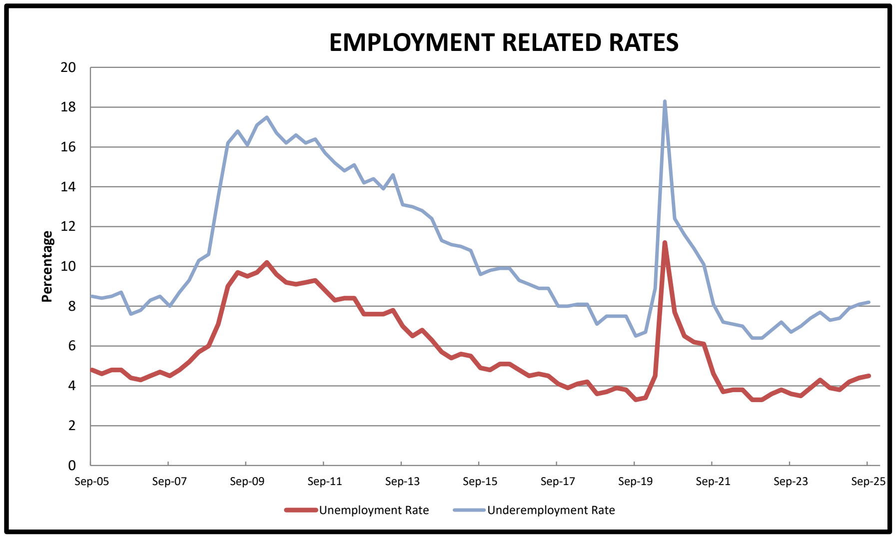
MAJOR MARKET AND ECONOMIC DATA

AS OF SEPTEMBER 30, 2025









Note:

*All data provided by Bloomberg. Third quarter 2025 Gross Domestic Product (GDP) data was not released due to the government shutdown at the time of preparation of this report.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

MT. DIABLO UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX INFORMATION

*The following is a brief overview of Community Facilities District No. 1 of the Mt. Diablo Unified School District (the "**Community Facilities District**") and the special tax levied therein. This summary is not intended to be definitive and is qualified in its entirety by reference to certain documents described herein for the complete terms thereof. Copies of such documents are available upon request from the Mt. Diablo Unified School District (the "**School District**").*

Community Facilities District Background

Established in 1988 by the Mt. Diablo Unified School District Board of Education (the "**Board**"), the Community Facilities District is coterminous with the boundaries of the School District and consists of approximately 75,375 parcels. The Community Facilities District has been fully developed and consists primarily of residential single-family homes. As of December 2025, the Community Facilities District contained 99,560 Taxable Units (defined below).

Special Tax Formula

General. At a special election held on November 7, 1989, two-thirds or more of the voters of the District approved Measure A, which authorized the levy and collection of a special tax at the rate of $67 per taxable unit (the "**Special Tax**") in the Community Facilities District. The Special Tax is levied and collected according to the special tax formula for the Community Facilities District (the "**Special Tax Formula**"), which provides the means by which the Board may annually levy the Special Tax within the Community Facilities District. Under the Special Tax Formula, the Special Tax is levied equally against all taxable property within the Community Facilities District based on the number of taxable units assigned to such property under the Special Tax Formula. The number of taxable units assigned to such property depends upon the land use of such property on a per acre or parcel basis (such units hereinafter referred to as, "**Taxable Units**").

The following is a synopsis of the provisions of the Special Tax Formula, which should be read in conjunction with the complete text of the Special Tax Formula. The meanings of the defined terms used in this section are as set forth in the Special Tax Formula.

This section provides only a summary of the Special Tax Formula and is qualified by more complete and detailed information contained in the entire Special Tax Formula, copies of which are available upon request from the School District.

Taxable Property. The Special Tax Formula identifies ten categories of real property within the Community Facilities District and designates Taxable Units to each parcel or acre of real property within each category. Six of the ten categories are subject to the annual levy and collection of the Special Tax based on such units and consist of the following (collectively, "**Taxable Property**"):

- *“Residential - Single Family”* is assigned one Taxable Unit per parcel; defined in the Special Tax Formula to include vacant parcels assessed as residential, single family, and condominiums, cluster homes, and townhouses.

- *“Residential - Multiple Family”* is assigned one Taxable Unit for each half acre or portion thereof; defined in the Special Tax Formula to include land used for multiple family uses, including duplexes, triplexes, and fourplexes.

- *“Commercial Property including Hotels and Motels”* is assigned four Taxable Units per acre.

- “*Industrial Property”* is assigned four Taxable Units per acre.

- *“Agricultural Residential (with a Residence)”* is assigned one Taxable Unit per parcel; defined in the Special Tax Formula to consist of agricultural land a parcel of land with a residence.

- *“Municipally Owned, Taxable”* is assigned one Taxable Unit per parcel.

Exempt Property. The Special Tax Formula identifies the following four categories of real property within the Community Facilities District based on use codes assigned thereto by the Contra Costa County Tax Assessor which are exempt from the annual levy of the Special Tax:

- *“Agricultural (without a Residence)”*

- *“Governmental, Institutional”*

- *“Tax Exempt Uses”*

- *“Unbuildable Parcels”*

In addition, the Special Tax Formula exempts the following categories of real property from the annual levy of the Special Tax:

- *“Agricultural Land”* consisting of agricultural zoned lands without a residence thereon.

- *“Public and Charitable Group-Owned Land”* consisting of real property that is publicly owned, open spaces, common areas, churches, schools, hospital and other similar property which meets the exemption of the levy of *ad valorem* property taxes and no residential dwellings exist thereon.

- *“Senior Citizen Exemption*” consisting of real property owned by a citizen that is at least 65 years or age who has applied and qualified for an annual exemption; this exemption and the Taxable Units attributable to the related real property is sometimes referred in this Official Statement as, the “**Senior Exemption**” and the “**Senior Exemption Taxable Units**,” respectively.

Maximum Special Tax. Under the Special Tax Formula, the maximum rate that may be levied against taxable real property within the Community Facilities District is $67.00 per Taxable Unit annually.

The amount of the Special Tax to be levied and collected in future years will be dependent upon then-existing land uses and rate categories, the tax rates imposed, and the level of delinquent Special Tax installments.

Covenant to Foreclose

Foreclosure Under the Act. Pursuant to Section 53356.1 of the Mello-Roos Community Facilities Act of 1982 (the "**Act**") and a Fiscal Agent Agreement dated as of June 1, 2016 by and between the School District, on behalf of itself and the Community Facilities District, and U.S. Bank Trust Company, National Association (the "**Fiscal Agent Agreement**"), the School District covenanted to commence and diligently prosecute to judgment (unless such delinquency is theretofore brought current) an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as described in the following paragraph.

Pursuant to the Fiscal Agent Agreement, on or about February 15 and June 15 of each Fiscal Year, an Authorized Officer (as defined therein) shall compare the amount of Special Taxes to be collected on the December 10 and April 10 installments of the secured property tax bills to the amount of Special Taxes actually received by the School District in said installments, and proceed as set forth below:

> *Individual Delinquencies - Single Parcels*. If the Authorized Officer determines that any single parcel subject to the Special Tax in the Community Facilities District is delinquent in the payment of 4 or more installments of the Special Taxes, then the Authorized Officer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Community Facilities District within 90 days of a June 15th determination against each such parcel.
>
> *Individual Delinquencies - Single Owner of Multiple Parcels*. If the Authorized Officer determines that any single owner of multiple parcels in the Community Facilities District is delinquent in the payment of Special Taxes in the amount of $10,000 or more, then the Authorized Officer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the delinquent property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the School District within 90 days of a June 15th determination against each parcel owned by such delinquent property owner.
>
> *Aggregate Delinquencies*. If the Authorized Officer determines that the total amount of delinquent Special Tax for the prior Fiscal Year (after both the first and second installments) for the Community Facilities District (including the total of delinquencies described in the immediately preceding paragraph), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the School District shall notify or cause to be notified all property owners who are

then delinquent in the payment of Special Taxes and demand immediate payment of the delinquency within 45 days of a June 15th determination, and shall commence foreclosure proceedings within 90 days of a June 15th determination against each parcel in the Community Facilities District with a Special Tax delinquency.

However, the School District may elect not to go forward on foreclosure proceedings if (i) the School District has received payment of otherwise delinquent Special Taxes from any source, including without limitation payments by Contra Costa County (the "**County**") under its Teeter Plan (California Revenue & Taxation Code Sections 4701 *et seq.*) or the sale of delinquent Special Tax Receivables, and (ii) the Reserve Fund is fully funded.

Teeter Plan*.* The County and the other political subdivisions within its boundaries operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State, commonly referred to as the "**Teeter Plan**," with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes through the County roll receive from the County 100% of their taxes at the time they are levied, notwithstanding any delinquencies. The County treasury's cash position (from taxes) is insured by a special tax loss reserve fund accumulated from delinquent penalties.

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

The Special Taxes for the Community Facilities District are intended to be collected pursuant to the procedures described above. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the Community Facilities District meets the Teeter Plan requirements, the Community Facilities District expects to receive 100% of the annual special taxes levied for the Community Facilities District without regard to actual collections in the Community Facilities District. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

Covenant Not to Reduce Special Taxes

The School District has covenanted not to conduct or consent to change proceedings under the Act to modify the Special Tax Formula to reduce the maximum Special Taxes that may be levied in the Community Facilities District. However, the School District may levy the Special Taxes at a rate below the maximum Special Tax rate set forth in the Special Tax Formula so long as the covenants set forth in the Fiscal Agent Agreement relating to outstanding bonds are met.

Fiscal Year 2025-26 Special Tax Levy

The table below summarizes the fiscal year 2025-26 Special Tax levy by Taxable Units.

FISCAL YEAR 2025-26 SPECIAL TAX LEVY
Mt. Diablo Unified School District
Community Facilities District No. 1

Land Use Categories	No. of Parcels[1]	Acreage[1]	No. of Taxable Units	FY 2025-26 Maximum Special Tax Rate	FY 2025-26 Special Tax Levy
Residential:					
Single-Family Residential	70,343	12,555.7	70,389	$67.00 per parcel	$4,716,063.00
Multiple Family Residential	1,185	817.9	2,305	$134.00 per acre	154,435.00
Agricultural Residential	240	1,013.0	240	$67.00 per parcel	16,080.00
Vacant Residential	839	2,068.2	846	$67.00 per parcel	56,682.00
Subtotal Residential	72,607	16,454.8	73,780		4,943,260.00
Non-Residential:					
Commercial	1,533	2,469.3	9,396	$268.00 per acre	$629,532.00
Industrial	533	3,724.6	15,102	$268.00 per acre	1,011,834.00
Institutional	654	793.2	1,227	$67.00 per parcel	82,209.00
Other	0	0.0	0	N/A	0.00
Municipally Owned	46	177.7	46	$67.00 per parcel	3,082.00
Exempt	2	2.1	9	$0.00 per parcel	603.00
Subtotal Non-Residential	2,768	7,166.9	25,780		1,727,260.00
Total	**75,375**	**23,621.6**	**99,560**		**$6,670,520.00**

(1) Does not include properties that are not taxed in fiscal year 2025-26.
Source: Goodwin Consulting Group, Inc.

Taxable Units and Special Tax Levy History

The table below shows historical Taxable Units and the Special Tax levy within the Community Facilities District for the past nine fiscal years.

HISTORY OF TAXABLE UNITS AND SPECIAL TAX LEVY
Fiscal Years 2017-18 through 2025-26
Mt. Diablo Unified School District
Community Facilities District No. 1

Fiscal Year Ending June 30	Active Parcels[1]	Total Taxable Units[2]	Senior Exemption Taxable Units[3]	Tax Revenue Associated with Senior Exemption[4]	Special Tax Levy
2018	85,387	105,863	8,433	$565,011	$6,527,810
2019	85,619	106,075	8,452	566,284	6,540,741
2020	85,677	106,101	8,167	547,189	6,561,578
2021	85,699	106,135	8,085	541,695	6,569,350
2022	86,189	106,607	7,981	534,727	6,607,942
2023	86,355	106,665	7,592	508,664	6,637,891
2024	86,504	106,764	7,456	499,552	6,653,636
2025	86,524	106,781	7,201	482,467	6,671,860
2026	86,602	106,861	7,301	489,167	6,670,520

(1) Includes taxable and exempt parcels in the boundaries of the Communities Facilities District.
(2) Includes units with Senior Exemptions.
(3) Units not taxable as long as Senior Exemption is valid.
(4) Tax not levied due to exemption of Senior Exemption Taxable Units.
Source: Goodwin Consulting Group, Inc.; California Municipal Statistics, Inc.

History of Special Tax Collection and Delinquencies

The Special Tax was first levied in fiscal year 1990-91. The table below presents the collections and delinquencies of the Special Taxes for the past eight fiscal years.

SPECIAL TAX COLLECTIONS AND DELINQUENCIES
Fiscal Years 2017-18 through 2025-26
Mt. Diablo Unified School District
Community Facilities District No. 1

Fiscal Year Ending June 30	Levy	Collections During Fiscal Year	Delinquencies	Delinquency Rate at Fiscal Year End	Delinquencies as of May 28, 2025[(1)]	Delinquency Rate[(1)]
2018	$6,527,810.00	$6,467,242	$60,568	0.93%	$3,819	0.06%
2019	6,540,741.00	6,476,555	64,186	0.98	4,724	0.07
2020	6,561,578.00	6,472,837	88,742	1.35	6,332	0.10
2021	6,569,350.00	6,525,968	43,383	0.66	7,538	0.11
2022	6,607,942.00	6,520,407	87,536	1.32	10,821	0.16
2023	6,637,891.00	6,536,453	101,438	1.53	18,392	0.28
2024	6,653,636.00	6,534,141	119,495	1.80	23,919	0.36
2025	6,671,860.00	6,564,492	107,368	1.61	107,368	1.61
2026	6,670,520.00	N/A	N/A	N/A	N/A	N/A

(1) As of this date, no special taxes had been collected yet for fiscal year 2025-26.
Source: Contra Costa County, Mt. Diablo Unified School District, Goodwin Consulting Group, Inc.

Assessed Values and Value-to-Debt Ratios

The following table shows the value-to-debt ratio for Taxable Property in the Community Facilities District.

ASSESSED VALUE-TO-DEBT RATIOS BY LAND USE
Fiscal Year 2025-26
Mt. Diablo Unified School District
Community Facilities District No. 1

Land Use Categories	Parcels[(1)]	Taxable Units[(2)]	Special Tax Levy	2025-26 Assessed Valuation[(3)]	Direct Bonded Debt[(4)(5)]	Overlapping Bonded Debt[(4)]	Direct Value to Debt Ratio	Overlapping Value to Debt Ratio
Residential, Single-Family Units	70,343	70,389	$4,716,063	$40,866,442,167	$2,329,568	$496,131,921	17,543-to-1	82-to-1
Residential, Multifamily Units	1,185	2,305	154,435	4,108,927,633	76,285	40,548,568	53,863-to-1	101-to-1
Agricultural	240	240	16,080	239,263,418	7,943	2,748,137	30,123-to-1	87-to-1
Vacant Residential	839	846	56,682	181,626,755	27,999	2,175,381	6,487-to-1	82-to-1
Commercial	1,533	9,396	629,532	5,569,099,157	310,966	64,935,199	17,909-to-1	85-to-1
Industrial	533	15,102	1,011,834	2,105,941,803	499,810	24,514,235	4,213-to-1	84-to-1
Institutional	654	1,227	82,209	911,555,247	40,608	10,696,682	22,447-to-1	85-to-1
Exempt	2	9	603	1,506,204	298	17,467	5,057-to-1	85-to-1
Municipally Owned, Taxable	46	46	3,082	1,764,588	1,5220	22,673	1,159-to-1	73-to-1
Grand Total	75,375	99,560	$6,670,520	$53,986,126,972	$3,295,000	$641,790,264	16,384-to-1	84-to-1

(1) Excludes non-taxable parcels including parcels categorized as tax exempt uses, unbuildable parcels, and senior exemptions.
(2) Subject to the special tax of the Community Facilities District in fiscal year 2025-26.
(3) Secured assessed valuation for land and improvements.
(4) Debt as of November 1, 2025.
(5) 2018 COPs for which Special Taxes will be used to pay debt service. Prior to the issuance of the Certificates, the District plans on depositing in the related lease payment fund all remaining debt service required for the 2018 Certificates of Participation. As such the 2018 Certificates of Participation will be fully prepaid and terminated prior to issuance of the Certificates.
Source: California Municipal Statistics, Inc.

Largest Special Tax Payers

The table below shows the largest payers of Special Taxes in the Community Facilities District for fiscal year 2025-26.

LARGEST SPECIAL TAX PAYERS
Fiscal Year 2025-26
Mt. Diablo Unified School District
Community Facilities District No. 1

Property Owner	Parcels	Taxable Units	Special Tax Levy	% of Total Levy
Tesoro Refining & Marketing Co.	28	8,801	$589,667.00	8.84%
Broken Wedge LLC	17	878	58,826.00	0.88
RMC Pacific Materials Inc.	3	728	48,776.00	0.73
Gonsalves & Santucci Inc.	17	627	42,009.00	0.63
LP Catalyst Holdings Inc.	4	425	28,475.00	0.43
Allied Chemical Corp.	7	381	25,527.00	0.38
East Bay Regional Park District	4	281	18,827.00	0.28
Taubman Land Associates LLC	5	277	18,559.00	0.28
Pittsburg Highland Hills LLC	252	252	16,884.00	0.25
Contra Costa County	23	187	12,529.00	0.19
	360	12,837	$860,079.00	12.89%

Source: California Municipal Statistics, Inc.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

ASSURED GUARANTY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By ______________________________
Authorized Officer