WALNUT CREEK
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2016

WALNUT CREEK SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

FINANCIAL SECTION

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Creek School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Creek School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application;* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the district's proportionate share of net pension liability, and the schedule of district's pension contribution, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walnut Creek School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the Walnut Creek School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walnut Creek School District's internal control over financial reporting and compliance.

Pleasanton, California
December 5, 2016

This section of Walnut Creek School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for two of the three categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Walnut Creek School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we include the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was negative $13.6 million for the fiscal year ended June 30, 2016. Of this amount, $3.4 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2016	2015
Assets		
Current assets	$ 13,882,703	$ 12,862,028
Capital assets, net	29,933,184	31,188,540
Total Assets	**43,815,887**	**44,050,568**
Deferred Outflows of Resources	**9,280,055**	**1,786,168**
Liabilities		
Current liabilities	1,217,686	1,173,748
Long-term obligations other than pensions	28,956,821	30,395,618
Agreegate net pension liability	30,417,454	22,568,285
Total Liabilities	**60,591,961**	**54,137,651**
Deferred Inflows of Resources	**6,072,763**	**5,913,790**
Net Position		
Net investment in capital assets	2,507,120	2,213,757
Restricted	3,367,136	2,965,174
Unrestricted	(19,443,038)	(19,393,636)
Total Net Position	**$ (13,568,782)**	**$ (14,214,705)**

The unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		
	2016	2015	Variance
Revenues			
Program revenues:			
Charges for services	$ 598,023	$ 572,400	$ 25,623
Operating grants and contributions	4,173,017	4,373,696	(200,679)
General revenues:			
Taxes levied	25,239,762	22,661,192	2,578,570
Federal and State aid not restricted	7,073,976	4,646,458	2,427,518
Interest and investment earnings	84,526	40,933	43,593
Other general revenues (Miscellaneous)	2,438,172	2,846,390	(408,218)
Total Revenues	**39,607,476**	**35,141,069**	4,466,407
Expenses			
Instruction-related	29,365,503	26,029,148	3,336,355
Student support services	2,955,863	2,640,091	315,772
Administration	2,078,564	1,632,539	446,025
Plant services	3,610,305	2,688,355	921,950
Ancillary services	8,505	7,243	1,262
Interest on long-term debt	942,813	1,070,054	(127,241)
Total Expenses	**38,961,553**	**34,067,430**	**4,894,123**
Change in Net Position	**$ 645,923**	**$ 1,073,639**	**$ (427,716)**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $39.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $25.2 million because the cost was paid by those who benefited from the programs ($.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($4.2 million). We paid for the remaining "public benefit" portion of our governmental activities with $7.1 million in Federal and State aid, and with other revenues, like interest and general entitlements of $2.5 million.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, special instruction programs, other instructional programs, plant services, student transportation services, and school food services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	$ 25,122,985	$ 22,284,446	$ 22,224,095	$ 19,417,541
Instruction related services	4,242,518	3,744,702	3,818,751	3,327,662
Student support services	2,955,863	2,640,091	1,523,859	1,026,985
General administration	2,078,564	1,632,539	2,062,185	1,613,697
Plant services	3,610,305	2,688,355	3,610,305	2,658,396
Ancillary services	8,505	7,243	8,505	6,999
Interest on long-term debt	942,813	1,070,054	942,813	1,070,054
Total	**$ 38,961,553**	**$ 34,067,430**	**$ 34,190,513**	**$ 29,121,334**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $13 million, which is an increase of $1 million from last year.

	Balances and Activity			
	Fund Balances July 01, 2015	Revenues	Expenditures	Fund Balances June 30, 2016
General	$ 8,439,685	$ 35,259,329	$ 34,504,191	$ 9,194,823
Cafeteria	32,320	972,907	977,744	27,483
Building	96,564	-	96,564	-
Bond Interest & Redemption	2,288,828	2,672,187	2,609,955	2,351,060
Capital Facilities	600,270	1,011,144	756,129	855,285
Capital Projects - Special Reserve	573,296	3,450	17,697	559,049
Total	**$ 12,030,963**	**$ 39,919,017**	**$ 38,962,280**	**$ 12,987,700**

The primary reasons for these increases/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $8.4 million to $9.2 million. This increase is primarily due to increased state revenues that exceeded increase in expenditures.
b. Our special revenue funds consist of cafeteria fund. The cafeteria fund balance decreased from $32,320 to $27,483. This decrease is primarily due to a slight decrease in food sales and increased food and labor costs.
c. Capital outlay funds increased approximately $255 thousand due primarily to increased developer fee revenue.
d. The debt service funds increased approximately $62 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was approved on March 7, 2016. The District originally budgeted an increase in the General Fund of approximately $2.7 million, revenues were approximately $1.4 million more than projected and expenditures were about $3.1 million more than projected, resulting in an actual increase in the fund of approximately $755 thousand. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 57.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had $31.2 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $1.3 million, or 4.2 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2016	2015
Land and construction in progress	$ 2,789,686	$ 2,953,398
Land improvements	17,450,767	17,306,505
Building improvements	42,383,540	41,858,142
Furniture and equipment	930,549	727,273
Less: Accumulative depreciation	(33,621,358)	(31,656,778)
Total	**$ 29,933,184**	**$ 31,188,540**

This year's major additions included network upgrade, Tice Creek remodel, and other site improvements. We present more detail information about our capital assets in Note 4 to the financial statements. No debt was issued for these additions.

Long-Term Obligations Other Than Pension

At the end of this year, the District had $29 million in long-term obligations other than pension outstanding versus $30 million last year, a decrease of $1 million or 3 percent. Those long-term obligations other than pension consisted of:

Table 6

	Governmental Activities	
	2016	2015
General obligation bonds (financed with property taxes)	$ 26,256,516	$ 27,833,243
Compensated absences	32,982	51,859
Bond premium	1,169,548	1,239,963
Other postemployment benefits	1,497,775	1,270,553
Total	**$ 28,956,821**	**$ 30,395,618**

The District's general obligation bond rating is AA (S&P – June 2016). The State limits the amount of general obligation debt that the district can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $26 million is significantly below this statutorily-imposed limit. We present more detailed information regarding our long-term obligations in the Notes to financial statements.

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2016, the District reported deferred outflows of resources related to pension of approximately $9 million, deferred inflows of resources related to pension of approximately $5.7 million, and a net pension liability of $30.4 million.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 ARE NOTED BELOW:

- Opening Tice Creek school on time and under budget
- Implementing elementary boundary changes district-wide
- Affording pay increase for all employees (4% ongoing and 6% one time for all groups)
- Passing bond measure

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-2017 year, the District board and management used the following criteria: modest increase in number of students enrolled, ongoing cost containment efforts, appropriate compensation for employees, and prudent management of reserves.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	22:1	1556
Grades four through eight	26:1	2057

The new items specifically addressed in the budget are:
- Additional teachers for projected increased enrollment TK/K(2) and Special Day Class
- Ongoing facilities maintenance and repair
- Implementation of Common Core Standards

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official, Audrey Katzman, at Walnut Creek School District, 960 Ygnacio Valley Road, Walnut Creek, California, 94597, or e-mail at akatzman@wcsd.k12.ca.us.

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

		Governmental Activities
ASSETS		
Deposits and investments	$	12,805,632
Receivables		1,054,299
Stores inventories		22,772
Capital assets not depreciated		2,789,686
Capital assets, net of accumulated depreciation		27,143,498
Total Assets		43,815,887
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions		9,280,055
Total Deferred Ouflows of Resources		9,280,055
LIABILITIES		
Overdrafts		142,145
Accounts payable		704,832
Interest payable		322,683
Unearned revenue		48,026
Long-term obligations:		
Current portion of long-term obligations other than pensions		1,805,000
Noncurrent portion of long-term obligations other than pensions		27,151,821
Total Long-Term Obligations		28,956,821
Aggregate net pension liability		30,417,454
Total Liabilities		60,591,961
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		6,072,763
Total Deferred Inflows of Resources		6,072,763
NET POSITION		
Net investment in capital assets		2,507,120
Restricted for:		
Debt service		2,028,377
Capital projects		855,285
Educational programs		455,991
Food programs		27,483
Unrestricted		(19,443,038)
Total Net Position	$	(13,568,782)

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

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expenses)/ Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction	$ 25,122,985	$ -	$ 2,898,890	$ (22,224,095)
Instruction-related activities:				
Supervision of instruction	1,441,706	-	423,767	(1,017,939)
Instructional library, media, and technology	709,046	-	-	(709,046)
School site administration	2,091,766	-	-	(2,091,766)
Pupil services:				
Home-to-school transportation	253,362	-	70,075	(183,287)
Food services	1,052,770	598,023	218,329	(236,418)
All other pupil services	1,649,731	-	545,577	(1,104,154)
Administration:				
Data processing	14,487	-	-	(14,487)
All other administration	2,064,077	-	16,379	(2,047,698)
Plant services	3,610,305	-	-	(3,610,305)
Ancillary services	8,505	-	-	(8,505)
Interest on long-term obligations	942,813	-	-	(942,813)
Total Governmental Activities	$ 38,961,553	$ 598,023	$ 4,173,017	(34,190,513)
	General revenues and subventions:			
	Property taxes, levied for general purposes			21,276,706
	Property taxes, levied for debt service			2,651,504
	Taxes levied for other specific purposes			1,311,552
	Federal and State aid not restricted to specific purposes			7,073,976
	Interest and investment earnings			84,526
	Miscellaneous			2,438,172
	Subtotal, General Revenues			34,836,436
	Change in Net Position			645,923
	Net Position - Beginning			(14,214,705)
	Net Position - Ending			$ (13,568,782)

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

WALNUT CREEK SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 9,024,315	$ 2,351,060	$ 1,430,257	$ 12,805,632
Receivables	1,035,828	-	18,471	1,054,299
Due from other funds	-	-	177,725	177,725
Stores inventories	-	-	22,772	22,772
Total Assets	$ 10,060,143	$ 2,351,060	$ 1,649,225	$ 14,060,428
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdrafts	$ -	$ -	$ 142,145	$ 142,145
Accounts payable	687,595	-	17,237	704,832
Due to other funds	177,725	-	-	177,725
Unearned revenue	-	-	48,026	48,026
Total Liabilities	865,320	-	207,408	1,072,728
Fund Balances:				
Nonspendable	15,100	-	22,772	37,872
Restricted	455,991	2,351,060	856,894	3,663,945
Assigned	2,164,784	-	562,151	2,726,935
Unassigned	6,558,948	-	-	6,558,948
Total Fund Balances	9,194,823	2,351,060	1,441,817	12,987,700
Total Liabilities and Fund Balances	$ 10,060,143	$ 2,351,060	$ 1,649,225	$ 14,060,428

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

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balance - Governmental Funds		**$ 12,987,700**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 63,554,542	
Accumulated depreciation is	(33,621,358)	
Net Capital Assets		29,933,184
recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(322,683)
The difference between projected and actual pension plan investments earnings, between expected and actual experience in measurement of the total pension liability and change of assumptions, are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		3,207,292
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	26,256,516	
Bond premium	1,169,548	
Compensated absences (vacations)	32,982	
Other postemployment benefits (OPEB)	1,497,775	
Net pension liability	30,417,454	
Total Long-Term Obligations		(59,374,275)
Total Net Position - Governmental Activities		**$ (13,568,782)**

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

WALNUT CREEK SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 25,845,618	$ -	$ -	$ 25,845,618
Federal sources	951,605	-	187,274	1,138,879
Other State sources	4,417,994	16,078	9,810	4,443,882
Other local sources	3,994,968	2,656,109	1,612,692	8,263,769
Total Revenues	35,210,185	2,672,187	1,809,776	39,692,148
EXPENDITURES				
Current				
Instruction	23,411,217	-	-	23,411,217
Instruction-related activities:				
Supervision of instruction	1,338,962	-	-	1,338,962
Instructional library, media and technology	658,514	-	-	658,514
School site administration	1,942,694	-	-	1,942,694
Pupil services:				
Home-to-school transportation	235,305	-	-	235,305
Food services	-	-	977,744	977,744
All other pupil services	1,532,162	-	-	1,532,162
Administration:				
Data processing	13,455	-	-	13,455
All other administration	1,916,979	-	-	1,916,979
Plant services	2,984,411	-	-	2,984,411
Facility acquisition and construction	235,724	-	870,390	1,106,114
Ancillary services	7,899	-	-	7,899
Debt service				
Principal	-	1,657,192	-	1,657,192
Interest and other	-	952,763	-	952,763
Total Expenditures	34,277,322	2,609,955	1,848,134	38,735,411
Excess (Deficiency) of Revenues Over Expenditures	932,863	62,232	(38,358)	956,737
Other Financing Sources (Uses)				
Transfers in	49,144	-	177,725	226,869
Transfers out	(226,869)	-	-	(226,869)
Net Financing Sources (Uses)	(177,725)	-	177,725	-
NET CHANGE IN FUND BALANCES	755,138	62,232	139,367	956,737
Fund Balance - Beginning	8,439,685	2,288,828	1,302,450	12,030,963
Fund Balance - Ending	$ 9,194,823	$ 2,351,060	$ 1,441,817	$ 12,987,700

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

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds		**$ 956,737**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense and adjustments	$ (1,964,580)	
Capital outlays and adjustments	709,224	
Net Expense Adjustment		(1,255,356)
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements. This amount represents the net change of current year addition and amortization.		70,415
In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value.		(80,465)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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). Vacation used was more than the amounts earned by $18,877.		18,877
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(514,255)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		1,657,192
In governmental funds, Other Postemployment Benefit (OPEB) costs are recognized when employer contributions are made. In the statement of activties, OPEB costs are recognized on the accrual basis. This year, the costs are more than the employer contribution.		(227,222)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		20,000
Change in Net Position of Governmental Activities		**$ 645,923**

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

WALNUT CREEK SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Agency Funds			
	Pass-Through Funds		Associated Student Body Funds	
ASSETS				
Deposits and investments	$	239,945	$	27
Receivables		22,778		-
Total Assets	$	262,723	$	27
LIABILITIES				
Accounts payable	$	14,073	$	-
Due to others/student groups		248,650		27
Total Liabilities	$	262,723	$	27

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Walnut Creek School District was organized on November 1, 1860 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to students in kindergarten through eighth grade as mandated by the State and/or Federal agencies. The District operates five elementary schools and one intermediate school.

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, boards, and agencies that are not legally separate from the District. For Walnut Creek School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. 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.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures of \$1,966,481, \$1,966,481, \$12,253, and \$49,144, respectively.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The 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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building 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.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in (*Government Code* Sections 65970-65981); or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no such trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

Generally, available is defined as collectible within 45 or 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met 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.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the debt service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 for furniture and equipment purchases and $50,000 for capital improvement, acquisition, or construction. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 7 to 50 years; site improvements, 14 to 40 years; furniture and equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

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 California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. In fiscal year 2013-14, the governing board adopted an unrestricted reserve target of 18-20%.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The government-wide financial statements report $3,367,136 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. 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 adoption 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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	$ 12,805,632
Fiduciary funds	239,972
Total Deposits and Investments	$ 13,045,604

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	$ 3,100
Cash in revolving	15,100
Investments	13,027,404
Overdraft	(142,145)
Total Deposits and Investments	$ 13,045,604

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code Section 41001*). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity
County Pool	$ 13,059,973	227 Days

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool are not required to be rated, nor have they been rated as of June 30, 2016.

Custodial Credit Risk - Deposits

This 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. However, 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 agency. 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, 2016, the District does not have any bank balance exposed to custodial credit.

NOTE 3 - 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 data if reasonable 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 County Treasury Investment Pool 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.

The District's fair value measurements are as follows at June 30, 2016:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Pool	$ 13,059,973	$ -	$ -	$ -	$ 13,059,973

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 563,066	$ 18,471	$ 581,537
State Government			
Categorical aid	52,745	-	52,745
Lottery	157,129	-	157,129
Other Local Sources	262,888	-	262,888
Total	$ 1,035,828	$ 18,471	$ 1,054,299

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Adjustment/ Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 2,738,587	$ -	$ -	$ 2,738,587
Construction in Progress	214,811	328,070	491,782	51,099
Total Capital Assets Not Being Depreciated	2,953,398	328,070	491,782	2,789,686
Capital Assets Being Depreciated:				
Land Improvements	17,306,505	144,262	-	17,450,767
Buildings and Improvements	41,858,142	525,398	-	42,383,540
Furniture and Equipment	727,273	203,276	-	930,549
Total Capital Assets Being Depreciated	59,891,920	872,936	-	60,764,856
Total Capital Assets	62,845,318	1,201,006	491,782	63,554,542
Less Accumulated Depreciation:				
Land Improvements	9,883,789	603,681	-	10,487,470
Buildings and Improvements	21,412,054	1,247,443	-	22,659,497
Furniture and Equipment	360,935	113,456	-	474,391
Total Accumulated Depreciation	31,656,778	1,964,580	-	33,621,358
Total Capital Assets Being Depreciated, Net	28,235,142	(1,091,644)	-	27,143,498
Governmental Activities Capital Assets, Net	$ 31,188,540	$ (763,574)	$ 491,782	$ 29,933,184

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 1,313,366
Supervision of instruction	75,116
Instructional library, media, and technology	36,943
School site administration	108,985
Home-to-school transportation	13,201
Food services	54,851
All other pupil services	85,954
Ancilliary services	443
Data processing	755
All other administration	107,542
Plant services	167,424
Total Depreciation Expenses Governmental Activities	$ 1,964,580

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, between major and non-major governmental funds are as follows:

Due To	Due From Non-Major Governmental Funds
General Fund	$ 177,725
Total	$ 177,725

Operating Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Fund	Total
General Fund	$ -	$ 177,725	$ 177,725
Special Reserve - Other	49,144	-	49,144
Total	$ 49,144	$ 177,725	$ 226,869

The General Fund transferred to the Child Nutrition Fund for deficit coverage.	$ 177,725
The Special Reserve - Other Fund transferred to the General Fund to initiate a Math Pilot program.	49,144
Total	$ 226,869

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 415,356	$ 17,237	$ 432,593
State principle apportionment	272,239	-	272,239
Total	$ 687,595	$ 17,237	$ 704,832

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	Non-Major Governmental Funds (Cafeteria Fund)
Other local	$ 48,026

NOTE 9 - LONG-TERM OBLIGATIONS OTHER THAN PENSION

Summary

The changes in the District's long-term obligations other than pension, during the year consisted of the following:

	Balance July 1, 2015	Addition/ Accretion	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	$ 27,833,243	$ 80,465	$ 1,657,192	$ 26,256,516	$ 1,805,000
Bond premium	1,239,963	-	70,415	1,169,548	-
Accumulated vacation - net	51,859	-	18,877	32,982	-
Other post employment benefits	1,270,553	227,222	-	1,497,775	-
	$ 30,395,618	$ 307,687	$ 1,746,484	$ 28,956,821	$ 1,805,000

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The accrued vacation and other postemployment benefits will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2015	Accretion	Redeemed	Bonds Outstanding June 30, 2016
2003	2028	2.00-4.80	$ 7,000,000	$ 3,020,000	$ -	$ 145,000	$ 2,875,000
2005	2030	3.50-4.50	5,000,000	3,970,000	-	150,000	3,820,000
2007	2032	4.00-8.00	4,000,000	3,645,000	-	100,000	3,545,000
2007	2025	3.50-4.125	8,625,000	5,430,000	-	510,000	4,920,000
2010	2026	4.10-4.25	2,035,000	2,035,000	-	-	2,035,000
2010	2024	3.00-5.625	1,964,628	2,478,244	80,465	42,192	2,516,517
2012	2027	4.00-4.80	8,420,000	7,255,000	-	710,000	6,545,000
				$ 27,833,244	$ 80,465	$ 1,657,192	$ 26,256,517

Debt Service Requirements to Maturity

The bonds mature as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2017		$ 1,792,297	$ 936,194	$ 2,728,491
2018		1,916,607	877,012	2,793,619
2019		2,043,702	809,340	2,853,042
2020		2,193,360	730,492	2,923,852
2021		2,363,655	640,027	3,003,682
2022-2026		11,066,394	1,913,431	12,979,825
2027-2031		3,915,000	408,484	4,323,484
2032-2033		345,000	7,418	352,418
Sub-total		25,636,015	$ 6,322,398	$ 31,958,413
	Accretion to date	620,502		
	Total	$ 26,256,517		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to $32,982.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was $274,987, and contributions made by the District during the year were $47,765, which resulted in an increase to the net OPEB obligation of $227,222. As of June 30, 2016, the net OPEB obligation was $1,497,775. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 15,100	$ -	$ -	$ 15,100
Stores inventories	-	-	22,772	22,772
Total Nonspendable	15,100	-	22,772	37,872
Restricted				
Legally restricted programs	455,991	-	1,609	457,600
Capital projects	-	-	855,285	855,285
Debt services	-	2,351,060	-	2,351,060
Total Restricted	455,991	2,351,060	856,894	3,663,945
Assigned				
Other assigned	2,164,784	-	562,151	2,726,935
Total Assigned	2,164,784	-	562,151	2,726,935
Unassigned				
Reserve for economic uncertainties	1,033,652	-	-	1,033,652
Remaining unassigned	5,525,296	-	-	5,525,296
Total Unassigned	6,558,948	-	-	6,558,948
Total	$ 9,194,823	$ 2,351,060	$ 1,441,817	$ 12,987,700

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2016, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Final Budget	Actual	Excess
General Fund	$ 32,414,918	$ 34,456,916	$ (2,041,998)

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The District provides retiree health benefits, based on age, service, and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The District provides coverage to the following groups of employees and the District and retirees share in the cost of benefits as follows:

	Certificated	Classified	Certificated Management	Classified Management	Confidential
Benefits provided	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision
Duration	To age 65	To age 65	To age 65	To age 65	To age 65
Required service	10 years	15 years	10 years	10 years	10 years
Minimum age	55	55	55	55	50
Dependent coverage	No	No	No	No	No
District contribution %	100% to Cap	100% to Cap	100% to Cap	100% to Cap	100% to Cap
District annual	$7,610 per year	$3,600 per year	$6,232 per year	$6,507 per year	$1,800 per year
	$1,800 per year thereafter				

The District had 274 active employees and 12 retired employees covered by the OPEB plan as of June 30, 2016. The OPEB benefits are administered by the District. No separate financial statements are issued.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District and the various bargaining units. For fiscal year 2015-2016, the District contributed $47,765 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 274,987
Contributions made	(47,765)
Increase in net OPEB obligation	227,222
Net OPEB obligation, beginning of year	1,270,553
Net OPEB obligation, end of year	$ 1,497,775

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	$ 272,365	$ 54,925	20%	$ 1,038,270
2015	275,990	43,707	16%	1,270,553
2016	274,987	47,765	17%	1,497,775

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
06/30/16	$ -	$ 1,877,199	$ 1,877,199	0%	$ 19,578,705	10%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5 percent discount rate, based on assumed long- term return on employer assets. The valuation assumes a compensation increase rate of 2.75% and a 4% healthcare cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at June 30, 2016, was 24 years. There were no Plan assets on the valuation date.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District participated in three joint powers authority (JPA) for purposes of pooling for risk. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the Contra Costa County School Insurance Group (CCCSIG), an insurance purchasing pool. The intent of the CCCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CCCSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CCCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the CCCSIG. Participation in the CCCSIG is limited to districts that can meet the CCCSIG selection criteria.

Employee Medical Benefits

The District is a member of the Contra Costa School Insurance Group Health Benefits Committee which arranges for medical benefits for member districts. Employees who opt to take district medical benefits can choose either Kaiser or Blue Cross coverage. Keenan and Associates acts as broker for the JPA and negotiates pricing on behalf of the membership. The district provides a cap of $7,800 per FTE for certificated employees, $7,465 for classified employees, and $6,697 for management/confidential. In addition to medical benefits, the district is a member of the School Self Insurance of Contra Costa County for dental and vision coverage for employees.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic 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, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 26,093,373	$ 7,856,125	$ 4,618,973	$ 2,490,381
CalPERS	4,324,081	1,423,930	1,453,790	294,386
Total	$ 30,417,454	$ 9,280,055	$ 6,072,763	$ 2,784,767

The details of each plan are as follows:

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, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on 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 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. 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 of the STRP and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after 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 employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.1259%	7.1259%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were $1,803,893.

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

At June 30, 2016, 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:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	26,093,373
State's proportionate share of the net pension liability associated with the District		13,800,518
Total	$	39,893,891

The net pension liability was measured as of June 30, 2015. 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 proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0388 percent and 0.0324 percent, resulting in a net increase in the proportionate share of 0.0064 percent.

For the year ended June 30, 2016, the District recognized pension expense of $2,490,381. In addition, the District recognized revenue and pension expense of $1,069,005 for support provided by the State. At June 30, 2016, 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	$ 1,803,893	$ -
Net change in proportionate share of net pension liability	3,996,319	-
Difference between projected and actual earnings on pension plan investments	2,055,913	4,182,947
Differences between expected and actual experience in the	-	436,026
Total	$ 7,856,125	$ 4,618,973

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (531,758)
2018	(531,758)
2019	(531,758)
2020	(531,760)
Total	$ (2,127,034)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability 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 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 593,382
2018	593,382
2019	593,382
2020	593,382
2021	593,382
Thereafter	593,382
Total	$ 3,560,293

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 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 (6.60%)	$ 39,398,962
Current discount rate (7.60%)	$ 26,093,373
1% increase (8.60%)	$ 15,035,355

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system 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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

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 member's 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, 2016, are summarized as follows:

	School Employer 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
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were $466,618.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $4,324,081. The net pension liability was measured as of June 30, 2015. 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 proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0293 percent and 0.0322 percent, resulting in a net decrease in the proportionate share of 0.0029 percent.

For the year ended June 30, 2016, the District recognized pension expense of $294,386. At June 30, 2016, 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	$ 466,618	$ -
Net change in proportionate share of net pension liability	-	329,862
Difference between projected and actual earnings on pension plan investments	710,184	858,245
Differences between expected and actual experience in the	247,128	-
Changes of assumptions	-	265,684
Total	$ 1,423,930	$ 1,453,790

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (108,535)
2018	(108,535)
2019	(108,535)
2020	177,544
Total	$ (148,061)

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 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (120,144)
2018	(120,144)
2019	(108,130)
Total	$ (348,418)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 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 (6.65%)	$ 7,037,803
Current discount rate (7.65%)	$ 4,324,081
1% increase (8.65%)	$ 2,067,441

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 Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings.

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 in the amount of $1,069,005 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2016.

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the East Bay School Insurance Group (EBSIG), Contra Costa County School Insurance Group (CCCSIG), and the Schools Self Insurance of Contra Costa County (SSICCC) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for property and liabilities are paid to the EBSIG, payments for workers' compensation are paid to CCCSIG, and payments for dental and vision are paid to SSICCC. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2016, the District made payments of $213,580, $397,158 and $552,567 to EBSIG, CCCSIG, and SSICCC, respectively for insurance premiums.

REQUIRED SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 25,222,108	$ 25,282,791	$ 25,845,618	$ 562,827
Federal sources	933,181	935,935	951,605	15,670
Other State sources	3,122,214	3,970,096	4,417,994	447,898
Other local sources	4,548,544	4,507,725	3,994,968	(512,757)
Total Revenues [1]	33,826,047	34,696,547	35,210,185	513,638
EXPENDITURES				
Current				
Certificated salaries	16,082,636	16,131,845	17,562,759	(1,430,914)
Classified salaries	4,614,951	4,614,951	4,836,029	(221,078)
Employee benefits	4,806,551	5,567,144	6,081,450	(514,306)
Books and supplies	1,107,259	1,352,207	1,134,006	218,201
Services and operating expenditures	4,378,361	4,486,797	4,346,988	139,809
Capital outlay	181,000	261,974	316,090	(54,116)
Total Expenditures [1]	31,170,758	32,414,918	34,277,322	(1,862,404)
Excess (Deficiency) of Revenues Over Expenditures	2,655,289	2,281,629	932,863	(1,348,766)
Other Financing Sources (Uses)				
Transfers in	45,000	45,000	1,869	(43,131)
Transfers out	-	-	(179,594)	(179,594)
Net Financing Sources (Uses)	45,000	45,000	(177,725)	(222,725)
NET CHANGE IN FUND BALANCES	2,700,289	2,326,629	755,138	(1,571,491)
Fund Balance - Beginning	8,439,685	8,439,685	8,439,685	-
Fund Balance - Ending	$ 11,139,974	$ 10,766,314	$ 9,194,823	$ (1,571,491)

[1] On behalf payments are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual amounts.

See accompanying note to required supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
12/01/11	-	$ 1,938,648	$ 1,938,648	0%	$ 18,310,506	11%
06/30/14	-	1,920,329	1,920,329	0%	18,772,833	10%
03/31/16	-	1,877,199	1,877,199	0%	19,578,705	10%

See accompanying note to required supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

Measurement Date	June 30, 2015	June 30, 2014
CalSTRS		
District's proportion of the net pension liability (asset)	0.0388%	0.0324%
District's proportionate share of the net pension liability (asset)	$ 26,093,373	$ 18,907,831
State's proportionate share of the net pension liability (asset) associated with the District	13,800,518	11,417,365
Total	$ 39,893,891	$ 30,325,196
District's covered - employee payroll	$ 15,373,384	$ 16,031,578
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	169.73%	117.94%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability (asset)	0.0293%	0.0322%
District's proportionate share of the net pension liability (asset)	$ 4,324,081	$ 3,660,454
District's covered - employee payroll	$ 3,399,450	$ 3,518,453
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	127%	104%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

See accompanying note to required supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 1,803,893	$ 1,394,115
Contributions in relation to the contractually required contribution	1,803,893	1,394,115
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 17,294,059	$ 15,373,384
Contributions as a percentage of covered - employee payroll	10.43%	9.07%
CalPERS		
Contractually required contribution	$ 466,618	$ 392,053
Contributions in relation to the contractually required contribution	466,618	392,053
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 4,004,971	$ 3,399,450
Contributions as a percentage of covered - employee payroll	11.65%	11.53%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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. In the future, as data becomes available, ten years of information will be presented.

Schedule of District 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. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Elementary and Secondary Education Act			
NCLB - Title I, Part A, Basic Grants	84.010	14329	$ 152,058
Title II, Part A, Improving Teacher Quality	84.367	14341	58,045
Title III, Immigrant Education Program	84.365	15146	23,502
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	41,972
Special Education - State Grants			
IDEA, Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	569,409
IDEA, Preschool Grants, Part B, Section 619	84.173	13430	17,829
IDEA, Preschool Local Entitlement Part B, Section 611	84.027A	13682	48,308
IDEA, Mental Health Allocation Plan, Part B, Section 611	84.027A	13682	40,482
Subtotal- Special Education Cluster			676,028
Total U.S. Department of Education			951,605
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.553	13390	187,274
Total U.S. Department of Agriculture			187,274
Total Expenditures of Federal Awards			$1,138,879

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

ORGANIZATION

The Walnut Creek School District was established on November 1, 1860, and is located in Contra Costa County. The District operates five elementary schools, one intermediate school. Previously approved boundary changes were implemented in 2015-2016 fiscal year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Elizabeth Bettis	President	December 2016
Katie Peña	Clerk	December 2016
Barbara S. Pennington	Member	December 2018
Sherri McGoff	Member	December 2018
Aimee Moss	Member	December 2018

ADMINISTRATION

Patricia Wool, Ed. D.	Superintendent
Kevin Collins, Ed. D.	Chief Business Official
Peter Simack	Director of Special Services
Lisa Cheney	Director of Curriculum

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Final Report	
	Second Period Report (Amended)	Annual Report (Amended)
Regular ADA		
Transitional kindergarten through third	1,502.97	1,504.04
Fourth through sixth	1,181.86	1,180.68
Seventh and eighth	809.81	808.72
Total Regular ADA	3,494.64	3,493.44
Extended Year Special Education		
Transitional kindergarten through third	1.11	1.11
Fourth through sixth	0.73	0.73
Seventh and eighth	0.23	0.23
Total Extended Year Special Education	2.07	2.07
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.17	1.25
Fourth through sixth	2.31	2.28
Seventh and eighth	2.21	2.06
Total Special Education, Nonpublic, Nonsectarian Schools	5.69	5.59
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.13	0.13
Fourth through sixth	0.06	0.06
Seventh and eighth	0.50	0.50
Total Special Education, Nonpublic, Nonsectarian Schools	0.69	0.69
Total ADA	3,503.09	3,501.79

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,000	180	Complied
Grades 1 - 3				
Grade 1	50,400	54,805	180	Complied
Grade 2	50,400	54,805	180	Complied
Grade 3	50,400	54,805	180	Complied
Grades 4 - 6				
Grade 4	54,000	54,910	180	Complied
Grade 5	54,000	54,910	180	Complied
Grade 6	54,000	58,255	180	Complied
Grades 7 - 8				
Grade 7	54,000	62,831	180	Complied
Grade 8	54,000	62,831	180	Complied

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Summarized below are the reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

FORM DEBT		Form Debt
Total Liabilities, June 30, 2016, Unaudited Actuals	$	27,318,463
Increase in:		
General Obligation Bonds		260,465
Bond Premium		1,169,548
Other Postemployment Benefits (OPEB)		227,222
Decrease in:		
Compensated Absences		(18,877)
Total Liabilities, June 30, 2016, Audited Financial Statement	$	28,956,821

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017 [1]	2016	2015	2014
GENERAL FUND				
Revenues	$ 34,894,077	$ 35,210,185	$ 30,424,996	$ 28,716,148
Other sources	65,000	49,144	47,275	133,288
Total Revenues and Other Sources	34,959,077	35,259,329	30,472,271	28,849,436
Expenditures	34,912,637	34,277,322	29,956,313	29,736,508
Other uses and transfers out	81,006	226,869	47,275	53,288
Total Expenditures and Other Uses	34,993,643	34,504,191	30,003,588	29,789,796
INCREASE (DECREASE) IN FUND BALANCE	$ (34,566)	$ 755,138	$ 468,683	$ (940,360)
ENDING FUND BALANCE	$ 9,160,257	$ 9,194,823	$ 8,439,685	$ 7,971,002
AVAILABLE RESERVES [2]	$ 6,681,332	$ 6,558,948	$ 5,813,520	$ 7,809,313
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	19.09%	19.01%	19.38%	26.21%
LONG-TERM OBLIGATIONS	$ 27,151,821	$ 28,956,821	$ 29,155,655	$ 30,373,541
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,512	3,503	3,485	3,459

The General Fund balance has increased by $1.2 million over the past two years. The fiscal year 2016-2017 projects a decrease of $34,500 (or .38% percent). For a district this size, the State requires available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surplus in two of the past three years but anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have decreased by $1.4 million over the past two years.

Average daily attendance has increased by 44 over the past two years. The District anticipates an increase of 9 ADA during fiscal year 2016-2017.

1. Budget 2017 is included for analytical purpose only and has not been subjected to audit. 2017 budget does not include activity related to the consolidation of Fund 17, Special Reserve Non-Capital Fund, as required by GASB 54.

2. Available reserve consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Non-Capital Fund.

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ -	$ -	$ 871,208	$ 559,049	$ 1,430,257
Receivables	18,471	-	-	-	18,471
Due from other funds	177,725	-	-	-	177,725
Stores inventories	22,772	-	-	-	22,772
Total Assets	$ 218,968	$ -	$ 871,208	$ 559,049	$ 1,649,225
LIABILITIES AND FUND BALANCES					
Liabilities:					
Overdrafts	142,145	$ -	$ -	$ -	$ 142,145
Accounts payable	1,314	-	15,923	-	17,237
Unearned revenue	48,026	-	-	-	48,026
Total Liabilities	191,485	-	15,923	-	207,408
Fund Balances:					
Nonspendable	22,772	-	-	-	22,772
Restricted	1,609	-	855,285	-	856,894
Assigned	3,102	-	-	559,049	562,151
Total Fund Balances	27,483	-	855,285	559,049	1,441,817
Total Liabilities and Fund Balances	$ 218,968	$ -	$ 871,208	$ 559,049	$ 1,649,225

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	$ 187,274	$ -	$ -	$ -	$ 187,274
Other State sources	9,810	-	-	-	9,810
Other local sources	598,098	-	1,011,144	3,450	1,612,692
Total Revenues	795,182	-	1,011,144	3,450	1,809,776
EXPENDITURES					
Current					
Pupil services:					
Food services	977,744	-	-	-	977,744
Facility acquisition and construction	-	96,564	756,129	17,697	870,390
Total Expenditures	977,744	96,564	756,129	17,697	1,848,134
Excess (Deficiency) of Revenues Over Expenditures	(182,562)	(96,564)	255,015	(14,247)	(38,358)
Other Financing Sources					
Transfers in	177,725	-	-	-	177,725
Net Financing Sources	177,725	-	-	-	177,725
NET CHANGE IN FUND BALANCES	(4,837)	(96,564)	255,015	(14,247)	139,367
Fund Balance - Beginning	32,320	96,564	600,270	573,296	1,302,450
Fund Balance - Ending	$ 27,483	$ -	$ 855,285	$ 559,049	$ 1,441,817

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

MEASURE B – PARCEL TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	06/30/16	06/30/15	06/30/14
Revenues			
Parcel Tax Proceeds	$ 1,235,975	$ 1,248,260	$ 1,232,913
Expenditures			
Salaries and Benefits (16.5 FTE's)	1,380,837	1,220,362	1,245,298
Net Change in Fund Balance	(144,862)	27,898	(12,385)
Fund Balance - Beginning	15,404	(12,494)	(109)
Fund Balance - Ending	$ (129,458)	$ 15,404	$ (12,494)

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the information on the Unaudited Actual Financial Report to the audited financial statements

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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

Measure B Parcel Tax - Schedule of Revenues, Expenditures and Changes In Fund Balances

This schedule discloses the revenues, expenditures, and remaining fund balance of the District's Measure B parcel tax. In accordance with the ballot measure, proceeds from the parcel tax were used to attract and retain quality teachers, maintain small class sizes, keep classroom computers and technology up to date and secure; and to preserve school library funding.

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Walnut Creek School District
Walnut Creek, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walnut Creek School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Walnut Creek School District's basic financial statements, and have issued our report thereon dated December 5, 2016

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application;* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walnut Creek School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walnut Creek School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Walnut Creek School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Pleasanton, California
December 5, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on Compliance for Each Major Federal Program

We have audited Walnut Creek School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Walnut Creek School District's (the District) major Federal programs for the year ended June 30, 2016. Walnut Creek School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Walnut Creek 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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Pleasanton, California
December 5, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on State Compliance

We have audited Walnut Creek School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Walnut Creek School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Walnut Creek School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Walnut Creek School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Walnut Creek School District's compliance with those requirements.

Unmodified Opinion on Each of the Other Programs

In our opinion, Walnut Creek School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Walnut Creek School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The reported ADA for the Independent Study program was below materiality testing thresholds as outlined in the 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting; therefore, we did not perform any procedures related to Independent Study program.

The District does not offer a Continuation Education Program, therefore; we did not perform any procedures related to Continuation Education Program.

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

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer any Middle or Early College High Schools program; therefore, we did not perform any procedures related to Middle or Early High School Programs.

The District does not offer any Transportation Maintenance of Effort program; therefore, we did not perform any procedures related to Transportation Maintenance of Effort program.

The District does not offer After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District did not offer Independent Study-Coursed Based program, therefore, we did not perform any procedures related to the program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Pleasanton, California
December 5, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WALNUT CREEK SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported

WALNUT CREEK SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

2015-001 Unduplicated Local Control Funding Formula Pupil Counts (40000)

Criteria or Specific Requirements
7 CFR 225.15(c)
Records and claims. (1) Sponsors shall maintain accurate records which justify all costs and meals claimed. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.
7 CFR 225.15(f)
Application for free Program meals. (1) Purpose of application form. The application is used to determine the eligibility of children attending camps and the eligibility of sites that are not open sites.

Finding
During our review of Unduplicated Local Control Funding Formula Pupil Counts, we noted that nine pupil reported on the certified "1.18 - FRPM / PM / English Learner / Foster Youth – Student List" report did not have any supporting documentation.

Recommendation
District should implement procedures necessary to ensure unduplicated student counts are accurately reported

Current Status
Implemented.