WALNUT CREEK
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2018

WALNUT CREEK SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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, 2018, 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 *2017-2018 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 Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2018, 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 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* 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 changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions as listed in the table of contents, 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 non-major 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 (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 17, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walnut Creek School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walnut Creek School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co

Pleasanton, California
December 17, 2018

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, 2018. 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 Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* 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 $13.7 million for the fiscal year ended June 30, 2018. Of this amount, $5.8 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	
	2018	2017
Assets		
Current assets	$ 26,257,618	$ 36,730,252
Capital assets, net	36,353,195	31,268,427
Total Assets	**62,610,813**	**67,998,679**
Deferred Outflows of Resources	**12,547,564**	**9,242,018**
Liabilities		
Current liabilities	3,326,499	4,872,833
Long-term obligations other than pensions	44,190,666	48,132,187
Aggregate net pension liability	38,532,049	31,233,803
Total Liabilities	**86,049,214**	**84,238,823**
Deferred Inflows of Resources	**2,771,698**	**5,720,632**
Net Position		
Net investment in capital assets	5,235,930	4,574,987
Restricted	5,826,483	25,215,215
Unrestricted	(24,724,948)	(42,508,960)
Total Net Position	**$ (13,662,535)**	**$ (12,718,758)**

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 14. 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		
	2018	2017	Variance
Revenues			
Program revenues:			
Charges for services	$ 560,276	$ 577,463	$ (17,187)
Operating grants and contributions	5,898,935	3,942,217	1,956,718
General revenues:			
Taxes levied	31,197,305	29,731,139	1,466,166
Federal and State aid not restricted	4,098,346	5,416,742	(1,318,396)
Interest and investment earnings	446,546	298,713	147,833
Other general revenues (Miscellaneous)	1,174,718	2,627,879	(1,453,161)
Total Revenues	**43,376,126**	**42,594,153**	**781,973**
Expenses			
Instruction-related	33,054,180	30,933,831	2,120,349
Student support services	3,411,560	2,697,806	713,754
Administration	2,547,526	2,134,031	413,495
Plant services	4,020,613	3,430,178	590,435
Ancillary services	-	6,444	(6,444)
Interest on long-term debt	1,396,008	2,321,778	(925,770)
Other outgo	7,150	276,140	(268,990)
Total Expenses	**44,437,037**	**41,800,208**	**2,636,829**
Change in Net Position	**$ (1,060,911)**	**$ 793,945**	**$ (1,854,856)**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $44.4 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $31.2 million because the cost was paid by those who benefited from the programs ($0.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($5.9 million). We paid for the remaining "public benefit" portion of our governmental activities with $4.1 million in Federal and State aid, and with other revenues, like interest and general entitlements of $1.6 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	
	2018	2017	2018	2017
Instruction	$ 27,669,233	$ 26,218,819	$ 23,431,450	$ 23,575,255
Instruction related services	5,384,947	4,715,012	4,866,184	4,374,037
Student support services	3,411,560	2,697,806	1,840,601	1,334,631
General administration	2,547,526	2,134,031	2,490,497	2,102,184
Plant services	4,020,613	3,430,178	3,946,050	3,430,178
Ancillary services	-	6,444	-	5,890
Interest on long-term debt	1,396,008	2,321,778	1,396,008	2,321,778
Other outgo	7,150	276,140	7,036	136,575
Total	**$ 44,437,037**	**$ 41,800,208**	**$ 37,977,826**	**$ 37,280,528**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $23.7 million, which is a decrease of $8.9 million from last year.

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The primary reasons for these increases/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from $8.9 million to $6.4 million. This decrease is primarily due to increased expenditures that exceeds increases in revenue.
b. Our special revenue funds consist of Cafeteria Fund. The Cafeteria Fund balance increased from $(174) to $8,194. This increase is primarily due to contributions from the General Fund.
c. Capital Outlay Funds. Our Building Fund reports amounts from the general obligation bond and decreased by $7.2 million due to expenditure of proceeds received in the prior year. Our Capital Facilities Fund increased $1.0 million primarily to developer fee revenue exceeding expenditures.
d. The debt service funds decreased approximately $0.3 million primarily due to funds paid to the general obligation bond debt service.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approved its final budget, if needed. In addition, the District revises its budget at First and Second Interim. A schedule showing the District's original and final budget amounts compared to amounts actually paid and received is provided in our annual report as listed in the table of contents.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District had $36.4 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 $5.1 million, or 16.3 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	$ 7,514,214	$ 5,892,160
Land improvements	18,954,604	17,474,897
Building improvements	46,300,625	42,383,540
Furniture and equipment	1,337,877	1,093,427
Less: Accumulative depreciation	(37,754,125)	(35,575,597)
Total	**$ 36,353,195**	**$ 31,268,427**

This year's major additions included completion of network infrastructure and progress on the Tice Creek upper school classrooms. We present more detail information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $82.7 million in long-term obligations outstanding versus $79.2 million last year, an increase of $3.5 million or 4 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2018	2017, as restated
General obligation bonds (financed with property taxes)	$ 39,336,896	$ 43,213,190
Compensated absences	53,184	73,789
Bond premium	2,989,623	3,130,413
Other postemployment benefits	1,810,963	1,597,661
Aggregate net pension liability	38,532,049	31,233,803
Total	**$ 82,722,715**	**$ 79,248,856**

The increase is primarily due to the issuance of a general obligation bond for $20 million and an increase in aggregate net pension and OPEB obligations.

The District's general obligation bond rating is AA (S&P – October 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 $39.3 million is significantly below this statutorily-imposed limit. We present more detailed information regarding our long-term obligations in the Notes to financial statements.

The District reports the aggregate net pension liability based on the requirements of 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, 2018, the District reported deferred outflows of resources related to pension of approximately $12.5 million, deferred inflows of resources related to pension of approximately $2.8 million, and a net pension liability of $38.5 million.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-18 ARE NOTED BELOW:

The District settlement with employee groups provided an on-going 1% raise and a 1% one-time stipend for employees that completed an individual professional development program; instructional material implementations in math and writing included Bridges/Big Ideas and Writer’s Workshop; increased instructional access to technology through networks and additional devices; and updates the District’s communication platform.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the District board and management used the following criteria: modest decrease in number of students enrolled, ongoing cost containment efforts, appropriate compensation for employees, and prudent management of reserves.

Certificated staffing expenditures are based on the following rations and enrollment forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	23:1 (average)	1618
Grades four through five	28:1 (average)	1150
Grades six through eight	32:1 (average)	796

Other key assumptions in the budget projections are:

- LCFF COLA funding of 2.71%
- 18.2% unduplicated pupil count
- $999,595 in LCFF Supplemental funding
- Student attendance rate of 96.9%
- One-time funding of $184/ADA
- STRS employer rate of 16.28% (+1.85%)
- PERS employer rate of 18.06% (+2.26%)
- Ongoing salary increases: $1,400 per salary cell for Certificated, 1.2% for Classified
- Maintaining Routine Restricted Maintenance at 3% of expenditures
- The 3% Reserve for Economic Uncertainties is maintained
- Local Control and Accountability Plan (LCAP) action plans are funded in accordance with the 2018-19 updated LCAP

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@walnutcreeksd.org.

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS		
Deposits and investments	$	25,540,141
Receivables		666,154
Prepaid expenses		42,771
Stores inventories		8,552
Capital assets not depreciated		7,514,214
Capital assets, net of accumulated depreciation		28,838,981
Total Assets		62,610,813
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions		12,478,408
Deferred outflows of resources related to OPEB		69,156
Total Deferred Ouflows of Resources		12,547,564
LIABILITIES		
Overdrafts		82,402
Accounts payable		2,433,778
Interest payable		734,045
Unearned revenue		76,274
Long-term obligations:		
Current portion of long-term obligations other than pensions		3,824,492
Noncurrent portion of long-term obligations other than pensions		38,555,211
Aggregate net pension liability		38,532,049
Other post employment benefits		1,810,963
Total Long-Term Obligations		82,722,715
Total Liabilities		86,049,214
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		2,771,698
NET POSITION		
Net investment in capital assets		5,235,930
Restricted for:		
Debt service		4,661,479
Capital projects		803,137
Educational programs		353,673
Other restrictions		8,194
Unrestricted		(24,724,948)
Total Net Position	$	(13,662,535)

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

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses)/ Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 27,669,233	$ -	$ 4,237,783	$ (23,431,450)
Instruction-related activities:				
Supervision of instruction	2,148,272	-	365,263	(1,783,009)
Instructional library, media, and technology	700,498	-	7,191	(693,307)
School site administration	2,536,177	-	146,309	(2,389,868)
Pupil services:				
Home-to-school transportation	405,164	-	65,476	(339,688)
Food services	1,006,423	560,276	221,553	(224,594)
All other pupil services	1,999,973	-	723,654	(1,276,319)
Administration:				
Data processing	18,705	-	-	(18,705)
All other administration	2,528,821	-	57,029	(2,471,792)
Plant services	4,020,613	-	74,563	(3,946,050)
Interest on long-term obligations	1,396,008	-	-	(1,396,008)
Other outgo	7,150	-	114	(7,036)
Total Governmental Activities	$ 44,437,037	$ 560,276	$ 5,898,935	(37,977,826)
	General revenues and subventions:			
	Property taxes, levied for general purposes			24,724,623
	Property taxes, levied for debt service			5,108,979
	Taxes levied for other specific purposes			1,363,703
	Federal and State aid not restricted to specific purposes			4,098,346
	Interest and investment earnings			446,546
	Miscellaneous			1,174,718
	Subtotal, General Revenues			36,916,915
	Change in Net Position			(1,060,911)
	Net Position - Beginning, as restated			(12,601,624)
	Net Position - Ending			$ (13,662,535)

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

WALNUT CREEK SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 6,959,632	$ 11,209,254	$ 4,661,479	$ 2,709,776	$ 25,540,141
Receivables	624,325	-	-	41,829	666,154
Due from other funds	31,235	-	-	107,304	138,539
Prepaid expenditures	38,931	-	-	3,840	42,771
Stores inventories	-	-	-	8,552	8,552
Total Assets	$ 7,654,123	$ 11,209,254	$ 4,661,479	$ 2,871,301	$ 26,396,157
LIABILITIES AND FUND BALANCES					
Liabilities:					
Overdrafts	$ -	$ -	$ -	$ 82,402	$ 82,402
Accounts payable	1,128,771	1,302,233	-	2,774	2,433,778
Due to other funds	107,304	-	-	31,235	138,539
Unearned revenue	8,119	-	-	68,155	76,274
Total Liabilities	1,244,194	1,302,233	-	184,566	2,730,993
Fund Balances:					
Nonspendable	18,858	-	-	12,392	31,250
Restricted	353,673	9,907,021	4,661,479	-	14,922,173
Assigned	1,885,452	-	-	2,686,735	4,572,187
Unassigned	4,151,946	-	-	(12,392)	4,139,554
Total Fund Balances	6,409,929	9,907,021	4,661,479	2,686,735	23,665,164
Total Liabilities and Fund Balances	$ 7,654,123	$ 11,209,254	$ 4,661,479	$ 2,871,301	$ 26,396,157

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

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 23,665,164**
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	$ 74,107,320	
Accumulated depreciation is	(37,754,125)	
Net Capital Assets		36,353,195
Deferred outflows of resources related to OPEB and pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB and pensions at year-end consist of OPEB and pensions contributions subsequent to measurement date.		12,547,564
Deferred inflows of resources related to pensions represent net changes in proportionate share, differences between projected and actual earnings, differences between expected and actual earnings, changes of assumptions that will be recognized in a future period and are not reported in the District's funds.		(2,771,698)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(38,532,049)
In governmental funds, bond premiums are recognized as revenues in the period they are received. In government-wide statements, premiums are amortized over the life of the debt.		(2,989,623)
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	39,336,896	
Compensated absences (vacations)	53,184	
Net other postemployment benefits (OPEB) liability	1,810,963	
Total Long-Term Obligations		(41,201,043)
Total Net Position - Governmental Activities		**$ (13,662,535)**

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, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	$ 27,621,612	$ -	$ -	$ -	$ 27,621,612
Federal sources	1,017,642	-	-	195,193	1,212,835
Other State sources	4,006,619	-	27,525	10,132	4,044,276
Other local sources	3,796,685	218,605	5,128,568	1,655,721	10,799,579
Total Revenues	36,442,558	218,605	5,156,093	1,861,046	43,678,302
EXPENDITURES					
Current					
Instruction	25,959,280	-	-	-	25,959,280
Instruction-related activities:					
Supervision of instruction	2,003,403	-	-	-	2,003,403
Instructional library, media and technology	647,499	-	-	-	647,499
School site administration	2,369,405	-	-	-	2,369,405
Pupil services:					
Home-to-school transportation	420,084	-	-	-	420,084
Food services	-	-	-	888,960	888,960
All other pupil services	1,766,550	-	-	-	1,766,550
Administration:					
Data processing	16,523	-	-	-	16,523
All other administration	2,254,244	-	-	-	2,254,244
Plant services	3,220,189	-	-	-	3,220,189
Other outgo	7,150	-	-	-	7,150
Facility acquisition and construction	166,208	7,449,186	-	22,826	7,638,220
Debt service					
Principal	-	-	3,866,607	-	3,866,607
Interest and other	-	-	1,546,485	-	1,546,485
Total Expenditures	38,830,535	7,449,186	5,413,092	911,786	52,604,599
Excess (Deficiency) of Revenues Over Expenditures	(2,387,977)	(7,230,581)	(256,999)	949,260	(8,926,297)
Other Financing Sources (Uses)					
Transfers in	31,235	-	-	107,304	138,539
Transfers out	(107,304)	-	-	(31,235)	(138,539)
Net Financing Sources (Uses)	(76,069)	-	-	76,069	-
NET CHANGE IN FUND BALANCES	(2,464,046)	(7,230,581)	(256,999)	1,025,329	(8,926,297)
Fund Balance - Beginning	8,873,975	17,137,602	4,918,478	1,661,406	32,591,461
Fund Balance - Ending	$ 6,409,929	$ 9,907,021	$ 4,661,479	$ 2,686,735	$ 23,665,164

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

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (8,926,297)**
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 capital outlay exceeds depreciation in the period.		
Depreciation expense and adjustments	$ (2,178,528)	
Capital outlays and adjustments	7,263,296	
Net Expense Adjustment		5,084,768
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.		140,790
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.		(18,706)
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).		20,605
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.		(1,112,925)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(144,146)
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.		3,895,000
Change in Net Position of Governmental Activities		**$ (1,060,911)**

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds	
	Pass-Through Funds	**Associated Student Body Funds**
ASSETS		
Deposits and investments	$ 169,371	$ 105
Total Assets	$ 169,371	$ 105
LIABILITIES		
Accounts payable	$ 169,371	$ -
Due to others/student groups	-	105
Total Liabilities	$ 169,371	$ 105

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 $1,950,452, $1,885,452, $29,061, and $65,000, respectively.

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.

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 financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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).

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

Capital Facilities Fund 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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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) and pass-through funds.

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, 2018, 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 treasury 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 and for OPEB 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.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2018, 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. 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 2013-2014, 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 $5,826,483 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.

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 June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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 District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 25,622,543
Governmental activities - overdraft	(82,402)
Net Governmental activities	25,540,141
Fiduciary funds	169,476
Total Deposits and Investments	$ 25,709,617

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 15,205
Cash in revolving	3,100
Investments	25,691,312
Total Deposits and Investments	$ 25,709,617

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county treasury investment 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 Treasury Investment Pool	$ 25,691,312	167 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,

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, 2018, 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, 2018:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Treasury Investment Pool	$ 25,691,312	$ -	$ -	$ -	$25,691,312

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, 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	$ 177,438	$ 31,307	$ 208,745
State Government			
Categorical aid	168,379	-	168,379
Lottery	158,000	-	158,000
Other State	-	1,610	1,610
Local Government			
Other Local Sources	120,508	8,912	129,420
Total	$ 624,325	$ 41,829	$ 666,154

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Adjustment/ Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 2,738,587	$ -	$ -	$ 2,738,587
Construction in Progress	3,153,575	4,740,359	3,118,307	4,775,627
Total Capital Assets Not Being Depreciated	5,892,162	4,740,359	3,118,307	7,514,214
Capital Assets Being Depreciated:				
Land Improvements	17,474,897	1,479,707	-	18,954,604
Buildings and Improvements	42,383,538	3,917,087	-	46,300,625
Furniture and Equipment	1,093,427	244,450	-	1,337,877
Total Capital Assets Being Depreciated	60,951,862	5,641,244	-	66,593,106
Total Capital Assets	66,844,024	10,381,603	3,118,307	74,107,320
Less Accumulated Depreciation:				
Land Improvements	11,092,887	666,912	-	11,759,799
Buildings and Improvements	23,917,972	1,415,310	-	25,333,282
Furniture and Equipment	564,738	96,306	-	661,044
Total Accumulated Depreciation	35,575,597	2,178,528	-	37,754,125
Total Capital Assets Being Depreciated, Net	31,268,427	3,462,716	-	28,838,981
Governmental Activities Capital Assets, Net	$ 31,268,427	$ 8,203,075	$ 3,118,307	$ 36,353,195

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

Governmental Activities	
Instruction	$ 1,430,052
Supervision of instruction	110,364
Instructional library, media, and technology	35,670
School site administration	130,526
Home-to-school transportation	23,142
Food services	48,971
All other pupil services	97,316
Data processing	910
All other administration	124,182
Plant services	177,395
Total Depreciation Expenses All Activities	$ 2,178,528

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, 2018, between major and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 107,304	$ 107,304
Non-Major Governmental Funds	31,235	-	31,235
Total	$ 31,235	$ 107,304	$ 138,539

The balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Fund	Total
General Fund	$ -	$ 107,304	$ 107,304
Non-Major Governmental Funds	31,235	-	31,235
Total	$ 31,235	$ 107,304	$ 138,539

The General Fund transferred to the Child Nutrition Fund for deficit coverage.	$ 107,304
The Capital Facilities Fund transferred to the General Fund for 3% of the Developer Fee	31,235
Total	$ 138,539

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 366,712	$ 1,302,233	$ 2,774	$ 1,671,719
State principle apportionment	762,059	-	-	762,059
Total	$ 1,128,771	$ 1,302,233	$ 2,774	$ 2,433,778

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds (Cafeteria Fund)	Total
Federal financial assistance	$ 8,119	$ 68,155	$ 76,274

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, 2017 restated	Addition/ Accretion	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 43,213,190	$ 18,706	$ 3,895,000	$ 39,336,896	$ 3,683,702
Bond premium	3,130,413	-	140,790	2,989,623	140,790
Accumulated vacation - net	73,789	-	20,605	53,184	-
Other post employment benefits	1,597,661	213,302	-	1,810,963	-
Net pension liability	31,233,803	7,298,246	-	38,532,049	-
	$ 79,248,856	$ 7,530,254	$ 4,056,395	$ 82,722,715	$ 3,824,492

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The accrued vacation, net pension liability, 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, 2017	Issued	Accretion	Redeemed	Bonds Outstanding June 30, 2018
2010	2026	4.10-4.25	2,035,000	$ 2,035,000	$ -	$ -	$ -	$ 2,035,000
2010	2024	3.00-5.625	1,964,628	2,523,190	-	18,706	120,000	2,421,896
2012	2027	4.00-4.80	8,420,000	5,755,000	-	-	825,000	4,930,000
2015	2031	3.00-5.00	14,030,000	12,900,000	-	-	1,000,000	11,900,000
2016	2046	3.00-5.00	20,000,000	20,000,000	-	-	1,950,000	18,050,000
				$ 43,213,190	$ -	$ 18,706	$ 3,895,000	$ 39,336,896

Debt Service Requirements to Maturity

The bonds mature as follows:

Fiscal Year		Principal	Accreted Interest	Maturity Value	Interest to Maturity	Total
2019		$ 3,683,702	$ 36,298	$ 3,720,000	$ 1,472,002	$ 5,192,002
2020		3,913,360	51,640	3,965,000	1,316,744	5,281,744
2021		2,663,655	51,345	2,715,000	1,145,299	3,860,299
2022		2,776,686	88,314	2,865,000	1,053,518	3,918,518
2023		2,442,389	572,611	3,015,000	1,053,518	4,068,518
2024-2028		8,442,318	812,682	9,255,000	4,755,242	14,010,242
2029-2033		2,945,000	-	2,945,000	2,090,269	5,035,269
2034-2038		2,465,000	-	2,465,000	1,701,425	4,166,425
2039-2043		4,285,000	-	4,285,000	1,284,600	5,569,600
2044-2048		5,050,000	-	5,050,000	575,700	5,625,700
Sub-total		38,667,110	$ 1,612,890	$ 40,280,000	$ 16,448,317	$ 56,728,317
	Accretion to date	669,786				
	Total	$ 39,336,896				

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $53,184.

Net Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 1,810,963	$ 69,156	$ -	$ 292,909

The details of the plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	13
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	324
	337

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Walnut Creek Teachers Association (WCTA), the local California Service Employees Association (CSEA), and unrepresented groups. 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 with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $69,156 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $1,810,963 was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	3.5 percent, net of OPEB plar
Health care cost trend rates	4.0 percent for 2017

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 1,597,661
Service Cost	234,395
Interest	58,514
Benefit payments	(79,607)
Net change in total OPEB liability	213,302
Balance at June 30, 2017	$ 1,810,963

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.5%)	$ 1,920,554
Current discount rate (3.5%)	1,810,963
1% increase (4.5%)	1,713,798

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

Total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3.0%)	$ 1,745,033
Current healthcare cost trend rate (4.0%)	1,810,963
1% increase (5.0%)	1,869,957

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $292,909. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $69,156.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 15,100	$ -	$ -	$ -	$ 15,100
Stores inventories	-	-	-	8,552	8,552
Prepaid expenditures	3,758	-	-	3,840	7,598
Total Nonspendable	18,858	-	-	12,392	31,250
Restricted					
Legally restricted programs	353,673	-	-	-	353,673
Capital projects	-	9,907,021	-	-	9,907,021
Debt services	-	-	4,661,479	-	4,661,479
Total Restricted	353,673	9,907,021	4,661,479	-	14,922,173
Assigned					
Other assigned	1,885,452	-	-	2,686,734	4,572,186
Total Assigned	1,885,452	-	-	2,686,734	4,572,186
Unassigned					
Reserve for economic uncertainties	1,168,135	-	-	-	1,168,135
Remaining unassigned	2,983,811	-	-	(12,391)	2,971,420
Total Unassigned	4,151,946	-	-	(12,391)	4,139,555
Total	$ 6,409,929	$ 9,907,021	$ 4,661,479	$ 2,686,735	$ 23,665,164

NOTE 11 - 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, 2018, 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 2018, 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 12 - 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, 2017, 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	$ 30,402,329	$ 9,254,893	$ 2,489,148	$ 2,880,156
CalPERS	8,129,720	3,223,515	282,550	1,547,796
Total	$ 38,532,049	$ 12,478,408	$ 2,771,698	$ 4,427,952

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, 2016 annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: 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, 2018, 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	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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, 2018, are presented above and the District's total contributions were $2,496,363.

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

At June 30, 2018, 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	$	30,402,329
State's proportionate share of the net pension liability associated with the District		17,985,761
Total	$	48,388,090

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.0329 percent and 0.0313 percent, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2018, the District recognized pension expense of $2,880,156. In addition, the District recognized revenue and pension expense of $2,112,616 for support provided by the State. At June 30, 2018, 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	$	2,496,363	$	-
Net change in proportionate share of net pension liability		1,013,714		1,149,183
Difference between projected and actual earnings on pension plan investments		-		809,699
Differences between expected and actual experience in the		112,431		530,266
Changes of assumptions		5,632,385	$	-
Total	$	9,254,893	$	2,489,148

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
2019	$ (673,132)
2020	509,362
2021	73,447
2022	(719,376)
Total	$ (809,699)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 778,204
2020	778,204
2021	778,204
2022	778,205
2023	839,842
Thereafter	1,126,422
Total	$ 5,079,081

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 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 (6.10%)	$ 44,640,271
Current discount rate (7.10%)	$ 30,402,329
1% increase (8.10%)	$ 18,847,274

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available report 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, 2018, 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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above and the total District contributions were $818,665.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $8,129,720. The net pension liability was measured as of June 30, 2016. 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, 2017 and June 30, 2016, respectively was 0.0341 percent and 0.0299 percent, resulting in a net increase in the proportionate share of 0.0042 percent.

For the year ended June 30, 2018, the District recognized pension expense of $1,547,796. At June 30, 2018, 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	$ 818,665	$ -
Net change in proportionate share of net pension liability	644,890	186,833
Difference between projected and actual earnings on pension plan investments	281,233	-
Differences between expected and actual experience in the	291,254	-
Changes of assumptions	1,187,473	95,717
Total	$ 3,223,515	$ 282,550

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
2019	$ (7,620)
2020	324,482
2021	118,374
2022	(154,003)
Total	$ 281,233

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 568,862
2020	661,382
2021	610,823
Total	$ 1,841,067

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	$ 11,961,423
Current discount rate (7.15%)	$ 8,129,720
1% increase (8.15%)	$ 4,951,001

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 $2,112,616 (9.328 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.

NOTE 13 - 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, 2018.

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, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
District Wide Technology Infrastructure	$ 138,594	2019
Buena Vista Elementary School - Summer Splash Project	33,856	2019
Indian Valley Elementary School - Summer Splash Project	103,000	2019
Parkmead Elementary School - Summer Splash Project	179,462	2019
Walnut Creek IS - Summer Splash Project	323,366	2019
District Wide Technology Upgrades	54,540	2019
Tice Creek Modular Project	10,149,948	2019
	$ 10,982,766	

NOTE 14 - 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, 2018, the District made payments of $242,976, $428,609 to EBSIG, and CCCSIG, respectively for insurance premiums.

NOTE 15- RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ (12,718,758)
GASB 75 Implementation - Other Post Employment Benefit Plan	117,134
Net Position - Beginning as Restated	$ (12,601,624)

REQUIRED SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 27,557,645	$ 27,680,901	$ 27,621,612	$ (59,289)
Federal sources	1,010,704	990,915	1,017,642	26,727
Other State sources	2,499,752	3,270,223	4,006,619	736,396
Other local sources	2,505,260	3,123,754	3,796,685	672,931
Total Revenues [1]	33,573,361	35,065,793	36,442,558	1,376,765
EXPENDITURES				
Current				
Certificated salaries	17,208,814	17,480,232	17,891,057	(410,825)
Classified salaries	4,621,658	5,281,989	5,401,561	(119,572)
Employee benefits	7,332,249	7,640,259	8,104,376	(464,117)
Books and supplies	1,233,509	1,387,181	1,556,365	(169,184)
Services and operating expenditures	4,348,693	5,021,845	5,679,194	(657,349)
Other outgo	-	-	7,150	(7,150)
Capital outlay	185,974	254,424	190,832	63,592
Total Expenditures [1]	34,930,897	37,065,930	38,830,535	(1,764,605)
Excess (Deficiency) of Revenues Over Expenditures	(1,357,536)	(2,000,137)	(2,387,977)	(387,840)
Other Financing Sources (Uses)				
Transfers in	65,000	65,000	31,235	(33,765)
Transfers out	(130,645)	(130,645)	(107,304)	23,341
Net Financing Sources (Uses)	(65,645)	(65,645)	(76,069)	(10,424)
NET CHANGE IN FUND BALANCES	(1,423,181)	(2,065,782)	(2,464,046)	(398,264)
Fund Balance - Beginning	8,873,975	8,873,975	8,873,975	-
Fund Balance - Ending	$ 7,450,794	$ 6,808,193	$ 6,409,929	$ (398,264)

[1] On behalf payments are included in the actual revenues and expenditures and have 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 these amounts.

See accompanying note to required supplementary information.

WALNUT CREEK SCHOOL DISTRICT

GENERAL FUND
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Total OPEB Liability	
Service cost	$ 234,395
Interest	58,514
Benefit payments	(79,607)
Total OPEB Liability - beginning	1,597,661
Total OPEB Liability - ending	$ 1,810,963

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

Fiscal Year	2018	2017	2016	2015
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalSTRS				
District's proportion of the net pension liability	0.0329%	0.0313%	0.0388%	0.0324%
District's proportionate share of the net pension liability	$ 30,402,329	$ 25,337,613	$ 26,093,373	$ 18,907,831
State's proportionate share of the net pension liability associated with the District	17,985,761	14,424,251	13,800,518	11,417,365
Total	$ 48,388,090	$ 39,761,864	$ 39,893,891	$ 30,325,196
District's covered - employee payroll	$ 16,786,032	$ 17,294,059	$ 15,373,384	$ 16,031,578
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	181.12%	146.51%	169.73%	117.94%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.0341%	0.0299%	0.0293%	0.0322%
District's proportionate share of the net pension liability	$ 8,129,720	$ 5,896,190	$ 4,324,081	$ 3,660,454
District's covered - employee payroll	$ 4,356,187	$ 4,004,971	$ 3,399,450	$ 3,518,453
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	187%	147%	127%	104%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

See accompanying note to required supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
JUNE 30, 2018

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 2,496,363	$ 2,067,598	$ 1,803,893	$ 1,394,115
Contributions in relation to the contractually required contribution	(2,496,363)	(2,067,598)	(1,803,893)	(1,394,115)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 17,368,140	$ 16,786,032	$ 17,294,059	$ 15,373,384
Contributions as a percentage of covered - employee payroll	-14.37%	-12.32%	-10.43%	-9.07%
CalPERS				
Contractually required contribution	$ 818,665	$ 602,311	$ 466,618	$ 392,053
Contributions in relation to the contractually required contribution	(818,665)	(602,311)	(466,618)	(392,053)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 5,286,931	$ 4,356,187	$ 4,004,971	$ 3,399,450
Contributions as a percentage of covered - employee payroll	-15.48%	-13.83%	-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

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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.

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.

At June 30, 2018, the District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Final Budget	Actual	Excess
General Fund			
Certificated Salaries	$ 17,480,232	$ 17,891,057	$ 410,825
Classified Salaries	5,281,989	5,401,567	119,578
Employee Benefits	7,640,259	8,104,376	464,117
Books and Supplies	1,387,181	1,556,365	169,184
Serivces and Operating	5,021,845	5,679,194	657,349

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Change in Assumptions – There were no changes in the assumptions since the previous valuation.

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.

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions* –** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District 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.

SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	$ 169,107
Title II, Part A, Improving Teacher Quality	84.367	14341	45,995
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	35,851
Special Education - State Grants			
IDEA, Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	611,177
IDEA, Preschool Grants, Part B, Section 619	84.173	13430	20,574
IDEA, Preschool Local Entitlement Part B, Section 611	84.027A	13682	94,893
IDEA, Mental Health Allocation Plan, Part B, Section 611	84.027A	13682	39,982
Subtotal- Special Education Cluster			766,626
Total U.S. Department of Education			1,017,579
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medi-Cal Billing Option	93.778	10013	63
Total U.S. Department of Health and Human Services			63
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13390	195,193
Total Child Nutrition Cluster / U.S. Department of Agriculture			195,193
Total Expenditures of Federal Awards			$1,212,835

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

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. No boundary changes were implemented in 2017-2018 fiscal year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Sherri McGoff	President	December 2018
Aimee Moss	Clerk	December 2018
Barbara S. Pennington	Member	December 2018
Elizabeth Bettis	Member	December 2020
Katie Peña	Member	December 2020

ADMINISTRATION

Marie Morgan	Superintendent
Audrey Katzman	Chief Business Official
Lisa Cheney	Director of Curriculum and interim Director of Special Services

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report (Amended)	Annual Report (Amended)
Regular ADA		
Transitional kindergarten through third	1,508.50	1,510.32
Fourth through sixth	1,143.79	1,145.79
Seventh and eighth	803.55	805.76
Total Regular ADA	3,455.84	3,461.87
Extended Year Special Education		
Transitional kindergarten through third	1.71	1.71
Fourth through sixth	0.97	0.97
Seventh and eighth	0.39	0.39
Total Extended Year Special Education	3.07	3.07
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.30	3.27
Fourth through sixth	0.96	0.98
Seventh and eighth	1.01	1.25
Total Special Education, Nonpublic, Nonsectarian Schools	4.27	5.50
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.11	0.11
Fourth through sixth	0.10	0.10
Seventh and eighth	0.41	0.41
Total Special Education, Nonpublic, Nonsectarian Schools	0.62	0.62
Total ADA	3,463.80	3,471.06

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	39,060	180	Complied
Grades 1 - 3				
Grade 1	50,400	55,305	180	Complied
Grade 2	50,400	55,305	180	Complied
Grade 3	50,400	55,305	180	Complied
Grades 4 - 6				
Grade 4	54,000	55,305	180	Complied
Grade 5	54,000	55,305	180	Complied
Grade 6	54,000	62,528	180	Complied
Grades 7 - 8				
Grade 7	54,000	62,528	180	Complied
Grade 8	54,000	62,528	180	Complied

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

FORM DEBT		Form Debt
Total Liabilities, June 30, 2018, Unaudited Actuals	$	76,204,972
Increase in:		
Bond Premium		2,989,623
Other Postemployment Benefits (OPEB)		96,168
Net Pension Liability		7,308,246
Decrease in:		
General Obligation Bonds		(3,876,294)
Total Liabilities, June 30, 2018, Audited Financial Statement	$	82,722,715

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND				
Revenues	$ 36,949,714	$ 36,442,558	$ 35,455,146	$ 35,210,185
Other sources	65,000	31,235	65,000	49,144
Total Revenues and Other Sources	37,014,714	36,473,793	35,520,146	35,259,329
Expenditures	36,946,630	38,830,535	35,712,524	34,277,322
Other uses and transfers out	65,000	107,304	128,468	226,869
Total Expenditures and Other Uses	37,011,630	38,937,839	35,840,992	34,504,191
INCREASE (DECREASE) IN FUND BALANCE	$ 3,084	$ (2,464,046)	$ (320,846)	$ 755,138
ENDING FUND BALANCE	$ 6,413,013	$ 6,409,929	$ 8,873,977	$ 9,194,823
AVAILABLE RESERVES [2]	$ 4,158,787	$ 4,151,946	$ 8,126,843	$ 6,558,948
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	11.24%	10.66%	22.67%	19.01%
LONG-TERM OBLIGATIONS	$ 78,898,223	$ 82,722,715	$ 79,365,990	$ 59,495,920
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,453	3,464	3,485	3,503

The General Fund balance has decreased by $2,784,894 over the past two years. The fiscal year 2018-2019 projects an increase of $3,084. 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 deficits in two of the past three years but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $23,226,795 over the past two years primarily due to the issuance of general obligation bonds and pension and OPEB liabilities.

Average daily attendance has decreased by 39 over the past two years. The District anticipates a growth of 11 ADA during fiscal year 2018-2019.

1. Budget 2019 is included for analytical purpose only and has not been subjected to audit. 2019 budget includes activity related to the consolidation of Fund 17, Special Reserve Non-Capital Fund, as required by GASB 54.

2. Revenues and Expenditures includes activity related to the consolidation of Fund 17, Special Reserve Non-Capital Fund, as required by GASB 54.

3. Available reserve consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within 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, 2018

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	$ -	$ 2,136,605	$ 573,171	$ 2,709,776
Receivables	41,829	-	-	41,829
Due from other funds	107,304	-	-	107,304
Prepaid expenses	3,840	-	-	3,840
Stores inventories	8,552	-	-	8,552
Total Assets	$ 161,525	$ 2,136,605	$ 573,171	$ 2,871,301
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdrafts	$ 82,402	$ -	$ -	$ 82,402
Accounts payable	2,774	-	-	2,774
Due to other funds	-	31,235	-	31,235
Unearned revenue	68,155	-	-	68,155
Total Liabilities	153,331	31,235	-	184,566
Fund Balances:				
Nonspendable	12,392	-	-	12,392
Assigned	8,193	2,105,370	573,171	2,686,734
Unassigned	(12,391)	-	-	(12,391)
Total Fund Balances	8,194	2,105,370	573,171	2,686,735
Total Liabilities and Fund Balances	$ 161,525	$ 2,136,605	$ 573,171	$ 2,871,301

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, 2018

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES				
Federal sources	$ 195,193	$ -	$ -	$ 195,193
Other State sources	10,132	-	-	10,132
Other local sources	584,699	1,062,560	8,462	1,655,721
Total Revenues	790,024	1,062,560	8,462	1,861,046
EXPENDITURES				
Current				
Pupil services:				
Food services	888,960	-	-	888,960
Facility acquisition and construction	-	22,826	-	22,826
Total Expenditures	888,960	22,826	-	911,786
Excess (Deficiency) of Revenues Over Expenditures	(98,936)	1,039,734	8,462	949,260
Other Financing Sources				
Transfers in	107,304	-	-	107,304
Transfers out	-	(31,235)	-	(31,235)
Net Financing Sources	107,304	(31,235)	-	76,069
NET CHANGE IN FUND BALANCES	8,368	1,008,499	8,462	1,025,329
Fund Balance - Beginning	(174)	1,096,871	564,709	1,661,406
Fund Balance - Ending	$ 8,194	$ 2,105,370	$ 573,171	$ 2,686,735

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, 2018

	2018	2017	2016
Revenues			
Parcel Tax Proceeds	$ 1,212,347	$ 1,221,768	$ 1,235,975
Local Contributions	111,399	-	128,452
Total Revenues	1,323,746	1,221,768	1,364,427
Expenditures			
Salaries and Benefits (appx 16.5 FTE's)	1,274,224	1,271,290	1,380,837
Net Change in Fund Balance	49,522	(49,522)	(16,410)
Fund Balance - Beginning	(49,522)	-	16,410
Fund Balance - Ending	$ -	$ (49,522)	$ -

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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.

NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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, 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, 2018, 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 17, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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.

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.

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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.

Vavrinek, Trine, Day & Co

Pleasanton, California
December 17, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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 (the District) 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 major Federal programs for the year ended June 30, 2018. 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, 2018.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

Vavrinek, Trine, Day & Co

Pleasanton, California
December 17, 2018

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 (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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, 2018.

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 *2017-2018 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

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, 2018.

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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
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before 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
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	
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 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 procedures related to the Continuation Education Attendance Program.

The District did not offer an STRS Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the STRS 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 did not offer any Middle or Early College High School Programs, therefore, we did not perform any procedures related to the Middle or Early College High School Programs.

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

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer an Independent Study Course Based Program; therefore, we did not perform any procedures for the Independent Study Course Based Program.

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

Vavrinek, Trine, Day & Co

Pleasanton, California
December 17, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WALNUT CREEK SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

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

WALNUT CREEK SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

WALNUT CREEK SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings reported in the prior year's schedule of financial statement findings.