WALNUT CREEK SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT JUNE 30, 2015

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, 2015, 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 required supplementary information, such as management's discussion and analysis, budgetary comparison, other postemployment benefit, net pension liabilities, and District contribution information, 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 nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Walnut Creek School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walnut Creek School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 1, 2015

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, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(14.2 million) for the fiscal year ended June 30, 2015. Of this amount, $(19.4 million) was unrestricted. 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 those 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, Restated	
	2015	2014
Assets		
Deposits and investments	$ 11,302,561	$ 9,574,255
Receivables	1,540,767	2,013,241
Stores inventories	18,700	24,796
Capital assets, net	31,188,540	32,461,330
Total Assets	**44,050,568**	**44,073,622**
Deferred Outflows of Resources	**1,786,168**	**(1,576,230)**
Liabilities		
Current liabilities	2,830,940	2,469,751
Long-term obligations	51,306,711	58,468,445
Total Liabilities	**54,137,651**	**60,938,196**
Deferred Inflows of Resources	**5,913,790**	**-**
Net Position		
Invested in capital assets, net of related debt	2,213,757	2,043,073
Restricted	2,965,174	2,839,510
Unrestricted	(19,393,636)	(20,170,927)
Total Net Position	**$ (14,214,705)**	**$ (15,288,344)**

The $(19.4 million) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

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

Table 2

	Governmental Activities		
	2015	2014	Variance
Revenues			
Program revenues:			
Charges for services	$ 572,400	$ 504,651	$ 67,749
Operating grants and contributions	4,373,696	3,881,744	491,952
General revenues:			
Taxes levied	22,661,192	20,900,869	1,760,323
Federal and State aid not restricted	4,646,458	4,421,950	224,508
Interest and investment earnings	40,933	35,310	5,623
Other general revenues (Miscellaneous)	2,846,390	3,037,945	(191,555)
Total Revenues	**35,141,069**	**32,782,469**	2,358,600
Expenses			
Instruction-related	26,029,148	25,525,227	503,921
Student support services	2,640,091	2,499,704	140,387
Administration	1,632,539	1,565,687	66,852
Plant services	2,688,355	2,876,063	(187,708)
Ancillary services	7,243	11,795	(4,552)
Interest on long-term debt	1,070,054	1,155,622	(85,568)
Other outgo	-	61,525	(61,525)
Total Expenses	**34,067,430**	**33,695,623**	**371,807**
Change in Net Position	**$ 1,073,639**	**$ (913,154)**	**$ 1,986,793**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $34.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $22.7 million because the cost was paid by those who benefited from the programs ($.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($4.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $4.6 million in Federal and State aid, and with other revenues, like interest and general entitlements of $2.9 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	
	2015	2014	2015	2014
Instruction	$ 22,284,446	$ 21,820,793	$ 19,417,541	$ 19,695,251
Instruction related services	3,744,702	3,704,434	3,327,662	2,859,226
Student support services	2,640,091	2,499,704	1,026,985	1,277,980
General administration	1,632,539	1,565,687	1,613,697	1,565,687
Plant services	2,688,355	2,876,063	2,658,396	2,742,298
Ancillary services	7,243	11,795	6,999	11,795
Interest on long-term debt	1,070,054	1,155,622	1,070,054	1,155,622
Other outgo	-	61,525	-	1,369
Total	**$ 34,067,430**	**$ 33,695,623**	**$ 29,121,334**	**$ 29,309,228**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $12 million, which is an increase of $1.2 million from last year.

	Balances and Activity			
	Fund Balances July 01, 2014	Revenues	Expenditures	Fund Balances June 30, 2015
General	$ 7,971,002	$ 30,472,271	$ 30,003,588	$ 8,439,685
Building	156,572	418	60,426	96,564
Cafeteria	52,520	801,905	822,105	32,320
Bond Interest & Redemption	2,116,547	2,763,250	2,590,969	2,288,828
Capital Facilities	222,820	559,642	182,192	600,270
Capital Projects - Special Reserve	295,433	448,508	170,645	573,296
Total	**$ 10,814,894**	**$ 35,045,994**	**$ 33,829,925**	**$ 12,030,963**

The primary reasons for these increases/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $8.0 million to $8.4 million. This increase is primarily due to increased state revenues and a closed contract in 2014-15.
b. Our special revenue funds consist of cafeteria fund. The cafeteria fund balance decreased from $52,520 to $32,320. This decrease is primarily due to a slight decrease in food sales and increased food and labor costs.
c. Capital outlay funds increased approximately $595 thousand due primarily to increased developer fee revenue and lease revenue. Capital outlay funds were budgeted for costs associated with the opening of a new district school in 2015-16.
d. The debt service funds increased approximately $172 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was approved on March 4, 2015. Although the District budgeted a decrease in the General Fund of approximately $93 thousand, revenues were approximately $697 thousand more than projected and expenditures were about $88 thousand more than projected, resulted in an actual increase in the fund of approximately $469 thousand. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 55.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had $31.2 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1.3 million, or 3.9 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2015	2014
Land and construction in progress	$ 2,953,398	$ 2,792,748
Buildings and improvements	27,868,804	29,356,650
Equipment	366,338	311,932
Total	**$ 31,188,540**	**$ 32,461,330**

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

Long-Term Obligations Other Than Pension

At the end of this year, the District had $29.2 million in long-term obligations other than pension, outstanding versus $30.4 million last year, a decrease of $1.2 million or 4 percent. Those long-term obligations other than pension consisted of:

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds (financed with property taxes)	$ 27,833,244	$ 29,264,451
Compensated absences	51,858	70,820
Other postemployment benefits	1,270,553	1,038,270
Total	**$ 29,155,655**	**$ 30,373,541**

The District's general obligation bond rating is AA (S&P – June 2015). The State limits the amount of general obligation debt that districts 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 $27.8 million is significantly below this statutorily-imposed limit. We present more detailed information regarding our long-term obligations in the Notes to financial statements.

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of $26.5 million. As of June 30, 2015, the District reported Deferred Outflows from pension activities of $1.8 million, Deferred Inflows from pension activities of $5.9 million, and a Net Pension Liability of $22.6 million.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

- The District ended the year with a surplus, ending several years of deficit spending.
- The District began preparing to open a new school using existing fund balances (no additional debt).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2015-2016 year, the District board and management used the following criteria: modest increase in number of students enrolled, ongoing cost containment efforts, appropriate compensation for employees, and prudent management of reserves.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	22:1	1570
Grades four through eight	26:1	2050

The new items specifically addressed in the budget are:

- Space for increased student enrollment
- Ongoing facilities maintenance and repair
- Implementation of Common Core Standards

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

		Governmental Activities
ASSETS		
Deposits and investments	$	11,302,561
Receivables		1,540,767
Stores inventories		18,700
Capital assets not depreciated		2,953,398
Capital assets, net of accumulated depreciation		28,235,142
Total Assets		44,050,568
DEFERRED OUTFLOWS OF RESOURCES		
Current year pension contribution		1,786,168
Total Deferred Ouflows of Resources		1,786,168
LIABILITIES		
Accounts payable		787,153
Interest payable		342,683
Unearned revenue		43,912
Current portion of long-term obligations other than pensions		1,657,192
Aggregate net pension liability		22,568,285
Unamortized bond premiums		1,239,963
Noncurrent portion of long-term obligations other than pensions		27,498,463
Total Liabilities		54,137,651
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual earnings on pension plan investments		5,913,790
Total Deferred Inflows of Resources		5,913,790
NET POSITION		
Invested in capital assets, net of related debt		2,213,757
Restricted for:		
Debt service		1,946,145
Capital projects		598,411
Educational programs		388,298
Other activities		32,320
Unrestricted		(19,393,636)
Total Net Position	$	(14,214,705)

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

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expenses)/ Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction	$ 22,284,446	$ -	$ 2,866,905	$ (19,417,541)
Instruction-related activities:				
Supervision of instruction	1,383,801	-	363,055	(1,020,746)
Instructional library, media, and technology	585,910	-	6,977	(578,933)
School site administration	1,774,991	-	47,008	(1,727,983)
Pupil services:				
Home-to-school transportation	317,604	-	204,961	(112,643)
Food services	882,358	572,400	207,450	(102,508)
All other pupil services	1,440,129	-	628,295	(811,834)
Administration:				
Data processing	13,850	-	-	(13,850)
All other administration	1,618,689	-	18,842	(1,599,847)
Plant services	2,688,355	-	29,959	(2,658,396)
Ancillary services	7,243	-	244	(6,999)
Interest on long-term obligations	1,070,054	-	-	(1,070,054)
Total Governmental Activities	$ 34,067,430	$ 572,400	$ 4,373,696	(29,121,334)
	General revenues and subventions:			
	Property taxes, levied for general purposes			18,589,929
	Property taxes, levied for debt service			2,758,614
	Taxes levied for other specific purposes			1,312,649
	Federal and State aid not restricted to specific purposes			4,646,458
	Interest and investment earnings			40,933
	Miscellaneous			2,846,390
	Subtotal, General Revenues			30,194,973
	Change in Net Position			1,073,639
	Net Position - Beginning as restated			(15,288,344)
	Net Position - Ending			$ (14,214,705)

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

WALNUT CREEK SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 7,649,872	$ 2,288,828	$ 1,363,861	$ 11,302,561
Receivables	1,513,110	-	27,657	1,540,767
Stores inventories	-	-	18,700	18,700
Total Assets	$ 9,162,982	$ 2,288,828	$ 1,410,218	$ 12,862,028
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 723,297	$ -	$ 63,856	$ 787,153
Unearned revenue	-	-	43,912	43,912
Total Liabilities	723,297	-	107,768	831,065
Fund Balances:				
Nonspendable	15,100	-	18,700	33,800
Restricted	388,298	2,288,828	704,885	3,382,011
Assigned	2,222,767	-	578,865	2,801,632
Unassigned	5,813,520	-	-	5,813,520
Total Fund Balances	8,439,685	2,288,828	1,302,450	12,030,963
Total Liabilities and Fund Balances	$ 9,162,982	$ 2,288,828	$ 1,410,218	$ 12,862,028

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

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 12,030,963**
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	$ 62,845,319	
Accumulated depreciation is	(31,656,779)	
Net Capital Assets		31,188,540
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		1,786,168
recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(342,683)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(5,913,790)
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.		(1,239,963)
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	27,833,243	
Other post employment benefits	1,270,553	
Compensated absences (vacations)	51,859	
Net pension liability	22,568,285	
Total Long-Term Obligations		(51,723,940)
Total Net Position - Governmental Activities		**$ (14,214,705)**

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, 2015

	General Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 22,367,875	$ -	$ -	$ 22,367,875
Federal sources	1,029,372	-	179,032	1,208,404
Other State sources	2,192,402	18,806	10,304	2,221,512
Other local sources	4,835,347	2,744,444	1,621,137	9,200,928
Total Revenues	30,424,996	2,763,250	1,810,473	34,998,719
EXPENDITURES				
Current				
Instruction	20,630,084	-	-	20,630,084
Instruction-related activities:				
Supervision of instruction	1,289,305	-	-	1,289,305
Instructional library, media and technology	545,900	-	-	545,900
School site administration	1,653,783	-	-	1,653,783
Pupil services:				
Home-to-school transportation	295,917	-	-	295,917
Food services	-	-	822,105	822,105
All other pupil services	1,341,787	-	-	1,341,787
Administration:				
Data processing	12,904	-	-	12,904
All other administration	1,508,154	-	-	1,508,154
Plant services	2,534,610	-	-	2,534,610
Facility acquisition and construction	137,121	-	413,263	550,384
Ancillary services	6,748	-	-	6,748
Debt service				
Principal	-	1,526,422	-	1,526,422
Interest and other	-	1,064,547	-	1,064,547
Total Expenditures	29,956,313	2,590,969	1,235,368	33,782,650
NET CHANGE IN FUND BALANCES	468,683	172,281	575,105	1,216,069
Fund Balance - Beginning	7,971,002	2,116,547	727,345	10,087,549
Fund Balance - Ending	$ 8,439,685	$ 2,288,828	$ 1,302,450	$ 12,030,963

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

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ 1,216,069**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense and adjustments	$ (1,855,194)	
Capital outlays and adjustments	582,404	
Net Expense Adjustment		(1,272,790)
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements. This amount represents the net change of current year addition and amortization.		70,415
In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value.		(95,214)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by $18,961.		18,962
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(177,233)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		1,526,421
In governmental funds, Other Postemployment Benefit (OPEB) costs are recognized when employer contributions are made. In the statement of activties, OPEB costs are recognized on the accrual basis. This year, the costs are more than the employer contribution.		(232,283)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		19,292
Change in Net Position of Governmental Activities		**$ 1,073,639**

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

WALNUT CREEK SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Agency Funds	
	Pass-Through Funds	Associated Student Body Funds
ASSETS		
Deposits and investments	$ 121,774	$ 1,850
Receivables	22,221	-
Total Assets	$ 143,995	$ 1,850
LIABILITIES		
Due to others/student groups	$ 143,995	$ 1,850
Total Liabilities	$ 143,995	$ 1,850

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, and revenues of \$2,003,372, \$2,003,372, and \$6,782, respectively.

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

Non-Major Governmental Funds

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

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

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

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligations.

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

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

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

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 the current year pension contributions.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The government-wide financial statements report $2,965,174 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $26,518,674. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

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

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

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

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

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported

- Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions

- Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

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

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

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

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

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	$ 11,302,561
Fiduciary funds	123,624
Total Deposits and Investments	$ 11,426,185

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 3,100
Cash in revolving	15,100
Investments	11,407,985
Total Deposits and Investments	$ 11,426,185

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

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

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

Investment Type	Fair Value	Weighted Average Maturity
County Pool	$ 11,407,985	215 Days
Total	$ 11,407,985	

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, 2015.

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, 2015, the District does not have any bank balance exposed to custodial credit.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, 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	$ 556,489	$ -	$ 556,489
State Government			
State principle apportionment	162,946	-	162,946
Categorical aid	330,311	-	330,311
Lottery	310,108	-	310,108
Local Government			
Other Local Sources	153,256	27,657	180,913
Total	$ 1,513,110	$ 27,657	$ 1,540,767

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Adjustment/ Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 2,738,587	$ -	$ -	$ 2,738,587
Construction in Progress	54,161	214,811	54,161	214,811
Total Capital Assets Not Being Depreciated	2,792,748	214,811	54,161	2,953,398
Capital Assets Being Depreciated:				
Land Improvements	17,278,218	28,287	-	17,306,505
Buildings and Improvements	41,555,089	303,053	-	41,858,142
Furniture and Equipment	636,859	90,414	-	727,273
Total Capital Assets Being Depreciated	59,470,166	421,754	-	59,891,920
Total Capital Assets	62,262,914	636,565	54,161	62,845,318
Less Accumulated Depreciation:				
Land Improvements	9,286,907	596,882	-	9,883,789
Buildings and Improvements	20,189,750	1,222,304	-	21,412,054
Furniture and Equipment	324,927	36,008	-	360,935
Total Accumulated Depreciation	29,801,584	1,855,194	-	31,656,778
Total Capital Assets Being Depreciated, Net	29,668,582	(1,433,440)	-	28,235,142
Governmental Activities Capital Assets, Net	$ 32,641,330	$ (1,218,629)	$ 54,161	$ 31,188,540

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

Governmental Activities	
Instruction	$ 1,249,060
Supervision of instruction	78,062
Instructional library, media, and technology	33,052
School site administration	100,129
Home-to-school transportation	17,916
Food services	49,775
All other pupil services	81,239
Ancilliary services	409
Data processing	781
All other administration	91,312
Plant services	153,459
Total Depreciation Expenses Governmental Activities	$ 1,855,194

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 577,677	$ 63,856	$ 641,533
State principle apportionment	145,620	-	145,620
Total	$ 723,297	$ 63,856	$ 787,153

NOTE 6 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	Non-Major Governmental Funds (Cafeteria Fund)
Other local	$ 43,912
Total	$ 43,912

NOTE 7 - 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, 2014	Addition/ Accretion	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 29,264,451	$ 95,214	$ 1,526,421	$ 27,833,244	$ 1,657,192
Accumulated vacation - net	70,820		18,962	51,858	-
Other post employment benefits	1,038,270	258,685	26,402	1,270,553	-
	$ 30,373,541	$ 353,899	$ 1,571,785	$ 29,155,655	$ 1,657,192

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

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2014	Accretion	Redeemed	Bonds Outstanding June 30, 2015
2003	2028	2.00-4.80	$ 7,000,000	$ 3,150,000	$ -	$ 130,000	$ 3,020,000
2005	2030	3.50-4.50	5,000,000	4,115,000	-	145,000	3,970,000
2007	2032	4.00-8.00	4,000,000	3,735,000	-	90,000	3,645,000
2007	2025	3.50-4.125	8,625,000	5,920,000	-	490,000	5,430,000
2010	2026	4.10-4.25	2,035,000	2,035,000	-	-	2,035,000
2010	2024	3.00-5.625	1,964,628	2,409,451	95,214	26,421	2,478,244
2012	2027	4.00-4.80	8,420,000	7,900,000	-	645,000	7,255,000
				$ 29,264,451	$ 95,214	$ 1,526,421	$ 27,833,244

Debt Service Requirements to Maturity

The bonds mature as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2016		$ 1,657,192	$ 998,045	$ 2,655,237
2017		1,792,297	936,194	2,728,491
2018		1,916,607	877,012	2,793,619
2019		2,043,702	809,340	2,853,042
2020		2,193,360	730,492	2,923,852
2021-2025		11,375,049	2,328,617	13,703,666
2026-2030		5,640,000	611,395	6,251,395
2031-2033		675,000	29,347	704,347
Sub-total		27,293,207	$ 7,320,442	$ 34,613,649
	Accretion to date	540,037		
	Total	$ 27,833,244		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $51,858.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $258,685, and contributions made by the District during the year were $43,707. Interest on the net OPEB obligation and adjustments to the annual required contribution were $51,914 and $34,609 respectively, which resulted in an increase to the net OPEB obligation of $232,283. As of June 30, 2015, the net OPEB obligation was $1,270,553. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 8 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 15,100	$ -	$ -	$ 15,100
Stores inventories	-	-	18,700	18,700
Total Nonspendable	15,100	-	18,700	33,800
Restricted				
Legally restricted programs	388,298	-	8,051	396,349
Capital projects	-	-	696,834	696,834
Debt services	-	2,288,828	-	2,288,828
Total Restricted	388,298	2,288,828	704,885	3,382,011
Assigned				
Class donations - all sites	172,170	-	-	172,170
Other assigned	2,050,597	-	578,865	2,629,462
Total Assigned	2,222,767	-	578,865	2,801,632
Unassigned				
Remaining unassigned	5,813,520	-	-	5,813,520
Total Unassigned	5,813,520	-	-	5,813,520
Total	$ 8,439,685	$ 2,288,828	$ 1,302,450	$ 12,030,963

NOTE 9 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the following District major fund(s) exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
General Fund	$ 29,868,404	$ 29,956,313	$ (87,909)

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

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

	Certificated	Classified	Certificated Management	Classified Management	Confidential
Benefits provided	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision
Duration	To age 65	To age 65	To age 65	To age 65	To age 65
Required service	10 years	15 years	10 years	10 years	10 years
Minimum age	55	55	55	55	50
Dependent coverage	No	No	No	No	No
District contribution %	100%	100%	100%	100%	100%
District monthly Cap	$645.83/mo. for five years $150 per month thereafter	$400/mo.	$519.35/mo.	$519.35/mo. for five years	$150/mo.
District annual Cap	$7,610 per year for five years $1,800 per year thereafter	$4,800 per year	$6,232 per year for five years	$6,507 per year for five years	$1,800 per year

The District had 284 active employees and 6 retired employees covered by the OPEB plan as of June 30, 2015. The OPEB benefits are administered by the District. No separate financial statements are issued.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District and the various bargaining units. For fiscal year 2014-2015, the District contributed $43,707 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 258,685
Interest on net OPEB obligation	51,914
Adjustment to annual required contribution	(34,609)
Annual OPEB cost (expense)	275,990
Contributions made	(43,707)
Increase in net OPEB obligation	232,283
Net OPEB obligation, beginning of year	1,038,270
Net OPEB obligation, end of year	$ 1,270,553

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 261,384	$ 48,393	19%	$ 820,830
2014	272,365	54,925	20%	1,038,270
2015	275,990	43,707	16%	1,270,553

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
06/30/14	$ -	$ 1,920,329	$ 1,920,329	0%	$ 18,772,833	10%

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

Actuarial Methods and Assumptions

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

In the June 30, 2014, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.75 percent discount rate, based on assumed long- term return on employer assets. The valuation assumes a compensation increase rate of 2.75% and a 4% healthcare cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at June 30, 2014, was 30 years. The actuarial value of assets was not determined in this actuarial valuation.

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, 2015, 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 2015, 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 $7,610 per FTE for certificated employees, $7,250 for classified employees, and $6,232 for management. 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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 18,907,831	$ 1,394,115	$ 4,656,017	$ 1,632,356
CalPERS	3,660,454	392,053	1,257,773	325,340
Total	$ 22,568,285	$ 1,786,168	$ 5,913,790	$ 1,957,696

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, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

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

	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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

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, 2015, are presented above and the District's total contributions were $1,394,130.

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

At June 30, 2015, 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	$	18,907,831
State's proportionate share of the net pension liability associated with the District		11,417,365
Total	$	30,325,196

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.0324 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,632,356. In addition, the District recognized revenue and pension expense of $843,337 for support provided by the State. At June 30, 2015, 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 measurment date	$ 1,394,115	$ -
Differences between projected and actual earnings on pension plan investments	-	4,656,017
Total	$ 1,394,115	$ 4,656,017

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as:

Year Ended June 30,	Amortization
2016	$ 1,164,004
2017	1,164,004
2018	1,164,004
2019	1,164,005
Total	$ 4,656,017

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 29,472,363
Current discount rate (7.60%)	$ 18,907,831
1% increase	$ 10,098,931

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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

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, 2015, are presented above and the total District contributions were $392,053.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $3,660,454. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.0322 percent.

For the year ended June 30, 2015, the District recognized pension expense of $325,340. At June 30, 2015, 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	$ 392,053	$ -
Differences between projected and actual earnings on pension plan investments		1,257,773
Total	$ 392,053	$ 1,257,773

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 314,443
2017	314,443
2018	314,443
2019	314,444
Total	$ 1,257,773

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 (6.50%)	$ 6,421,272
Current discount rate (7.50%)	$ 3,660,454
1% increase (8.50%)	$ 1,353,512

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 $ 843,337 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 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, 2015.

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, 2015.

Early Retirement

The District has adopted an early retirement incentive program. The District has entered into contracts with certain eligible employees whereby 20 service days per year will be performed during the future five-year period or age 65, whatever comes first, for a stipulated yearly amount plus employee benefits. The outstanding contract amount for this purpose is $5,000. This amount is contingent upon the employee performing the required service days per year. There were no employees taking advantage of this option.

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, 2015, the District made payments of $192,589, $391,908 and $497,913 to EBSIG, CCCSIG, and SSICCC, respectively for insurance premiums.

NOTE 15 - SUBSEQUENT EVENTS

The District opened a new school named Tice Creek School. The new school is envisioned as a twenty-first century project-based learning school. For the first year, the school will be a K-6 opt in 2015-16. In subsequent years, the school will be K-7 opt in 2016-17, and K-8 opt in 2017-18.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 11,230,330
Restatement - GASB Statement No. 68, Net Pension Liability	(26,518,674)
Net Position - Beginning as Restated	$ (15,288,344)

REQUIRED SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	$ 22,456,323	$ 22,901,060	$ 22,367,875	$ (533,185)
Federal sources	899,229	1,022,232	1,029,372	7,140
Other State sources	969,625	1,242,016	2,192,402	950,386
Other local sources	4,454,109	4,562,211	4,835,347	273,136
Total Revenues [1]	28,779,286	29,727,519	30,424,996	697,477
EXPENDITURES				
Current				
Certificated salaries	15,915,086	15,774,944	15,443,240	331,704
Classified salaries	4,178,977	4,200,628	4,064,748	135,880
Employee benefits	4,201,455	4,332,344	4,994,534	(662,190)
Books and supplies	1,383,523	1,222,614	1,129,099	93,515
Services and operating expenditures	3,829,368	4,146,638	4,097,157	49,481
Capital outlay	70,000	191,236	227,535	(36,299)
Total Expenditures [1]	29,578,409	29,868,404	29,956,313	(87,909)
Excess (Deficiency) of Revenues Over Expenditures	(799,123)	(140,885)	468,683	609,568
Other Financing Sources (Uses)				
Transfers in	65,000	47,275	-	(47,275)
Net Financing Sources (Uses)	65,000	47,275	-	(47,275)
NET CHANGE IN FUND BALANCES	(734,123)	(93,610)	468,683	562,293
Fund Balance - Beginning	7,971,002	7,971,002	7,971,002	-
Fund Balance - Ending	$ 7,236,879	$ 7,877,392	$ 8,439,685	$ 562,293

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

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
12/01/09	$ -	$ 2,609,188	$ 2,609,188	0%	$ 16,030,526	16%
12/01/11	-	1,938,648	1,938,648	0%	18,310,506	11%
06/30/14	-	1,920,329	1,920,329	0%	18,772,833	10%

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability	0.0324%
District's proportionate share of the net pension liability	$ 18,907,831
State's proportionate share of the net pension liability associated with the District	11,417,365
Total	$ 30,325,196
District's covered - employee payroll	$ 16,031,578
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	118%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability	0.0322%
District's proportionate share of the net pension liability	$ 3,660,454
District's covered - employee payroll	$ 3,518,453
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	104.04%
Plan fiduciary net position as a percentage of the total pension liability	83%

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 1,394,115
Contributions in relation to the contractually required contribution	1,394,115
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 15,373,384
Contributions as a percentage of covered - employee payroll	9.07%
CalPERS	
Contractually required contribution	$ 392,053
Contributions in relation to the contractually required contribution	392,053
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 3,399,450
Contributions as a percentage of covered - employee payroll	12%

SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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	$ 158,180
Title II, Part A, Improving Teacher Quality	84.367	14341	58,291
Title III, Immigrant Education Program	84.365	15146	18,809
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	34,793
Special Education - State Grants			
IDEA, Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	561,832
IDEA, Preschool Grants, Part B, Section 619	84.173	13430	15,058
IDEA, Preschool Local Entitlement Part B, Section 611	84.027A	13682	40,680
IDEA, Mental Health Allocation Plan, Part B, Section 611	84.027A	13682	40,118
Total U.S. Department of Education			1,027,761
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medi-Cal Billing Option	93.778	10013	1,611
Total U.S. Department of Health and Human Services			1,611
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.553	13390	179,032
Total U.S. Department of Agriculture			179,032
Total Expenditures of Federal Awards			$ 1,208,404

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

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. There were no boundary changes during the year.

GOVERNING BOARD

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

ADMINISTRATION

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

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,505.98	1,505.29
Fourth through sixth	1,218.18	1,219.65
Seventh and eighth	758.67	758.58
Total Regular ADA	3,482.83	3,483.52
Extended Year Special Education		
Transitional kindergarten through third	1.25	1.25
Fourth through sixth	0.74	0.74
Seventh and eighth	0.19	0.19
Total Extended Year Special Education	2.18	2.18
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.13	2.28
Total Special Education, Nonpublic, Nonsectarian Schools	0.13	3.03
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	-	-
Total Special Education, Nonpublic, Nonsectarian Schools	-	-
Total ADA	3,485.14	3,488.73

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	36,000	180	Complied
Grades 1 - 3					
Grade 1	50,400	49,000	54,805	180	Complied
Grade 2	50,400	49,000	54,805	180	Complied
Grade 3	50,400	49,000	54,805	180	Complied
Grades 4 - 6					
Grade 4	54,000	52,500	54,910	180	Complied
Grade 5	54,000	52,500	54,910	180	Complied
Grade 6	54,000	52,500	62,781	180	Complied
Grades 7 - 8					
Grade 7	54,000	52,500	62,781	180	Complied
Grade 8	54,000	52,500	62,781	180	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

FORM ASSETS	Form Assets
Total Assets, June 30, 2015, Unaudited Actuals	$ 31,134,378
Increase in:	
Capital Assets	54,162
Total Assets, June 30, 2015, Audited Financial Statement	$ 31,188,540

FORM DEBT	Form Debt
Total Liabilities, June 30, 2015, Unaudited Actuals	$ 27,410,941
Increase in:	
General Obligation Bonds	1,670,036
Other Postemployment Benefits (OPEB)	74,678
Total Liabilities, June 30, 2015, Audited Financial Statement	$ 29,155,655

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND				
Revenues	$ 33,826,247	$ 30,424,996	$ 28,716,148	$ 27,287,822
Other sources	45,000	47,275	133,288	29,145
Total Revenues and Other Sources	33,871,247	30,472,271	28,849,436	27,316,967
Expenditures	31,170,758	29,956,313	29,736,508	27,854,895
Other uses and transfers out	-	47,275	53,288	109,145
Total Expenditures and Other Uses	31,170,758	30,003,588	29,789,796	27,964,040
INCREASE (DECREASE) IN FUND BALANCE	$ 2,700,489	$ 468,683	$ (940,360)	$ (647,073)
ENDING FUND BALANCE	$ 11,140,174	$ 8,439,685	$ 7,971,002	$ 8,911,362
AVAILABLE RESERVES [2]	$ 8,633,241	$ 5,813,520	$ 7,809,313	$ 6,745,274
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	27.70%	19.38%	26.21%	24.12%
LONG-TERM OBLIGATIONS	$ 27,498,463	$ 29,155,655	$ 30,373,541	$ 31,507,307
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,511	3,485	3,459	3,432

The General Fund balance has decreased by $471,677 over the past two years. The fiscal year 2015-2016 projects an increase of $2,700,489 (or 32 percent). For a district this size, the State requires available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by $2,351,652 over the past two years.

Average daily attendance has increased by 53 over the past two years. The District anticipates an increase of 26 ADA during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit. 2016 budget does not include activity related to the consolidation of Fund 17, Special Reserve Non-Capital Fund, as required by GASB 54.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ 48,532	$ 98,423	$ 631,778	$ 585,128	$ 1,363,861
Receivables	14,892	-	12,765	-	27,657
Stores inventories	18,700	-	-	-	18,700
Total Assets	$ 82,124	$ 98,423	$ 644,543	$ 585,128	$ 1,410,218
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 5,892	$ 1,859	$ 44,273	$ 11,832	$ 63,856
Unearned revenue	43,912	-	-	-	43,912
Total Liabilities	49,804	1,859	44,273	11,832	107,768
Fund Balances:					
Nonspendable	18,700	-	-	-	18,700
Restricted	8,051	96,564	600,270	-	704,885
Assigned	5,569	-	-	573,296	578,865
Total Fund Balances	32,320	96,564	600,270	573,296	1,302,450
Total Liabilities and Fund Balances	$ 82,124	$ 98,423	$ 644,543	$ 585,128	$ 1,410,218

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, 2015

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	$ 179,032	$ -	$ -	$ -	$ 179,032
Other State sources	10,304	-	-	-	10,304
Other local sources	612,569	418	559,642	448,508	1,621,137
Total Revenues	801,905	418	559,642	448,508	1,810,473
EXPENDITURES					
Current					
Pupil services:					
Food services	822,105	-	-	-	822,105
Facility acquisition and construction	-	60,426	182,192	170,645	413,263
Total Expenditures	822,105	60,426	182,192	170,645	1,235,368
Excess (Deficiency) of Revenues Over Expenditures	(20,200)	(60,008)	377,450	277,863	575,105
NET CHANGE IN FUND BALANCES	(20,200)	(60,008)	377,450	277,863	575,105
Fund Balance - Beginning	52,520	156,572	222,820	295,433	727,345
Fund Balance - Ending	$ 32,320	$ 96,564	$ 600,270	$ 573,296	$ 1,302,450

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, 2015

Revenues	06/30/15	06/30/14	06/30/13
Parcel Tax Proceeds	$ 1,248,260	$ 1,232,913	$ 1,228,573
Less: Refunds/Uncollected Taxes	-	-	-
Total Revenues	1,248,260	1,232,913	1,228,573
Expenditures			
Salaries and Benefits (16.5 FTE's)	1,220,362	1,245,298	1,202,548
Net Change in Fund Balance	27,898	(12,385)	26,025
Fund Balance - Beginning	(12,494)	(109)	(26,134)
Fund Balance - Ending	$ 15,404	$ (12,494)	$ (109)

See accompanying note to supplementary information.

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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, 2015

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

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

VALUE THE DIFFERENCE

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, 2015, 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 1, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001.

Walnut Creek School District's Response to Findings

Walnut Creek School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Walnut Creek School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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., LLP

Pleasanton, California
December 1, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on Compliance for Each Major Federal Program

We have audited Walnut Creek School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Walnut Creek School District's (the District) major Federal programs for the year ended June 30, 2015. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walnut Creek School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 1, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on State Compliance

We have audited Walnut Creek School District's compliance with the types of compliance requirements as identified in the *2014-2015 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, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *2014-2015 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 opinion. Our audit does not provide a legal determination of Walnut Creek School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Walnut Creek School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts 2015-001. Compliance with such requirements is necessary, in our opinion, for Walnut Creek School District to comply with the requirements applicable to that program.

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Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Walnut Creek School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Programs

In our opinion, Walnut Creek School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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
Attendance Accounting:	
Attendance Reporting	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
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

	Procedures Performed
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The reported ADA for the Independent Study program was below the materiality testing thresholds as outlined in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* therefore, we did not perform any procedures related to Independent Study program.

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

The District does not offer an Early Retirement Incentive Program, therefore we did not perform procedures related to Early Retirement Incentive.

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

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

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

The District does not offer any Regional Occupational Centers or Programs Maintenance of Effort program; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort program.

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

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

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 1, 2015

Schedule of Findings and Questioned Costs

WALNUT CREEK SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

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 .510(a) of OMB Circular A-133?	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:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

Unmodified for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

WALNUT CREEK SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

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

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

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

Questioned Costs
$2,499 (extrapolated costs $7,061).

Context
We reviewed a total of 50 samples.

Effect
District is not in compliance with Unduplicated Local Control Funding Formula Pupil Counts requirement.

Cause
Students qualifying for FRMP in 2013-14 were listed with an eligibility end date of October 1, 2014. Coincidentally, October 1, 2014 was also the CBEDS (Census) day for the 2014-15 school year. Because these students had an end date on the census date, they were included in the district's unduplicated count. The issue was discovered beyond the amendment window in CalPADS.

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

Corrective Action Plan

The district's new procedure is to list an end date of June 30 for all FRMP qualified students within our Student Information System. CalPADS and Aeries indicated that this was a state-wide issue that occurred in multiple districts. Therefore CalPADS and Aeries have updated their programming so that any student with a FRMP eligibility end date in the subsequent year will automatically be updated to a June 30 end date in the current year.

WALNUT CREEK SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.