MOUNT DIABLO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2017

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2017
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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Education
Mount Diablo Unified School District
Concord, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District, as of and for the fiscal year ended June 30, 2017, 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District, as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle
As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2016-17 due to the early adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a $101,153,209 reduction of previously reported net position at July 1, 2016. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 50, schedule of changes in the District's total OPEB liability and related ratios on page 51, schedule of proportionate share of the net pension liability on page 52, and schedule of pension contributions on page 53 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 57 to 59 and 61 to 64 and the schedule of expenditures of federal awards on page 62 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 56 and 60 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
December 15, 2017

This discussion and analysis of Mount Diablo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by $(35.9) million, or 23.7%.
- Governmental expenses were about $439.6 million. Revenues were about $403.7 million.
- The District acquired $11.5 million of new capital assets during the year. These expenditures were incurred primarily from Measure C building projects.
- The District increased its outstanding long-term debt by $35.1 million. This was primarily due to increased pension liabilities and the issuance of Series G of Measure C.
- Grades K-12 average daily attendance (ADA) decreased by 227, or 0.7%.

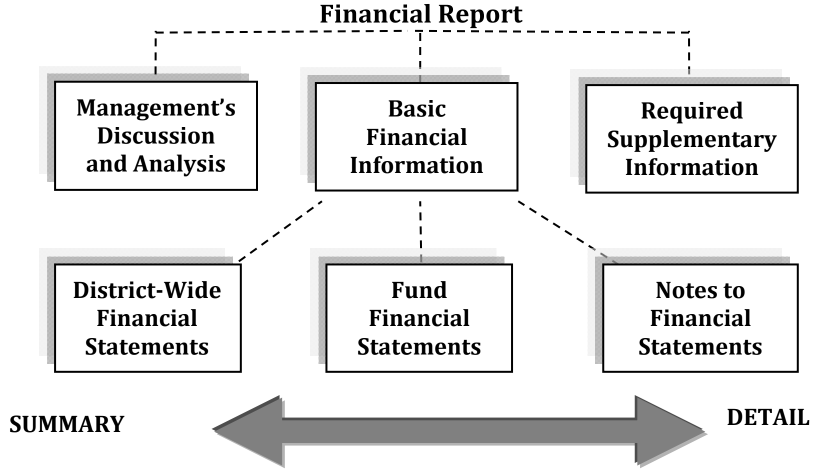
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

2) ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and retiree benefits fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2017, than it was the year before – decreasing 23.7% to $(187.2) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2017	2016*	Increase (Decrease)
Assets			
Current assets	$ 229,399,568	$ 218,945,104	$ 10,454,464
Capital assets	546,514,243	559,782,575	(13,268,332)
Total assets	775,913,811	778,727,679	(2,813,868)
Deferred outflows of resources	76,070,022	54,282,860	21,787,162
Liabilities			
Current liabilities	29,257,308	39,114,248	(9,856,940)
Long-term liabilities	690,118,614	654,998,155	35,120,459
Net pension liability	298,285,565	255,536,539	42,749,026
Total liabilities	1,017,661,487	949,648,942	68,012,545
Deferred inflows of resources	21,554,084	34,741,400	(13,187,316)
Net position			
Net investment in capital assets	112,525,077	117,642,121	(5,117,044)
Restricted	63,182,130	59,960,387	3,221,743
Unrestricted	(362,938,945)	(328,982,311)	(33,956,634)
Total net position	$ (187,231,738)	$ (151,379,803)	$ (35,851,935)

**As restated*

Changes in net position, governmental activities. The District's total revenues increased 1.9% to $403.7 million (See Table A-2). The increase is due primarily to increases in state aid and categorical funding.

The total cost of all programs and services increased 14.5% to $439.6 million. The District's expenses are predominantly related to educating and caring for students, 77.0%. The purely administrative activities of the District accounted for just 3.7% of total costs. A significant contributor to the increase in costs was negotiated salary and benefit increases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2017	**2016**	
Revenues			
Program Revenues:			
Charges for services	$ 4,169,222	$ 3,449,331	$ 719,891
Operating grants and contributions	81,639,997	76,411,469	5,228,528
Capital grants and contributions	17,637	1,982	15,655
General Revenues:			
Property taxes	162,283,509	152,776,041	9,507,468
Federal and state aid not restricted	143,794,490	152,052,573	(8,258,083)
Other general revenues	11,814,820	11,401,481	413,339
Total Revenues	403,719,675	396,092,877	7,626,798
Expenses			
Instruction-related	291,421,161	254,969,613	36,451,548
Pupil services	46,912,638	40,626,219	6,286,419
Administration	16,119,598	13,238,200	2,881,398
Plant services	59,020,480	48,205,207	10,815,273
All other activities	26,097,733	26,805,216	(707,483)
Total Expenses	439,571,610	383,844,455	55,727,155
Increase (decrease) in net position	$ (35,851,935)	$ 12,248,422	$ (48,100,357)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $208.3 million, which is above last year's ending fund balance of $188.0 million. The primary cause of the increased fund balance is due primarily to increases in state aid and categorical funding.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2016	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2017
Fund					
General Fund	$ 95,812,705	$ 355,337,999	$ 362,277,908	$ (83,502)	$ 88,789,294
Adult Education Fund	1,723,781	6,346,652	6,366,226	83,502	1,787,709
Cafeteria Fund	4,036,916	12,545,727	11,966,759	-	4,615,884
Deferred Maintenance Fund	8,389	84	8,473	-	-
Building Fund	44,475,289	648,994	10,967,325	38,500,000	72,656,958
Capital Facilities Fund	7,046,352	2,074,011	527,778	-	8,592,585
County School Facilities Fund	2,186,712	17,637	327,354	-	1,876,995
Capital Outlay Fund for Blended Component Units	787,170	813,207	1,252,002	-	348,375
Bond Interest and Redemption Fund	31,903,286	32,654,863	37,423,181	2,467,935	29,602,903
	$ 187,980,600	$ 410,439,174	$ 431,117,006	$ 40,967,935	$ 208,270,703

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $3.5 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $0.7 million due to collective bargaining agreements.
- Other non-personnel expenditures – increased $50.2 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $57.3 million, the actual results for the year show that expenditures exceeded revenues by roughly $6.9 million. Actual revenues were $1.3 million less than anticipated, and expenditures were $51.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2017, that will be carried over into the 2017-18 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested $11.5 million in new capital assets, related to ongoing expenditures related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was nearly $24.7 million.

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

	Governmental Activities		Variance Increase
	2017	2016	(Decrease)
Land	$ 14,436,462	$ 14,436,462	$ -
Improvement of sites	95,585,833	99,372,459	(3,786,626)
Buildings	426,923,274	334,383,542	92,539,732
Equipment	5,679,922	4,443,841	1,236,081
Construction in progress	3,888,752	107,146,271	(103,257,519)
Total	$ 546,514,243	$ 559,782,575	$ (13,268,332)

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $690.1 million in long-term debt – an increase of 5.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities 2017	Governmental Activities 2016	Variance Increase (Decrease)
General obligation bonds	$ 524,415,868	$ 499,972,231	$ 24,443,637
Construction loan	4,206,971	4,326,049	(119,078)
Capital leases	1,598,985	2,220,206	(621,221)
Compensated absences	3,597,139	2,938,779	658,360
Other postemployment benefits*	156,299,651	145,540,890	10,758,761
Total	$ 690,118,614	$ 654,998,155	$ 35,120,459

* As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Governor signed the 2017-18 *Budget Act* and other budget-related bills on June 27, 2017.

Proposition 98

Overview

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

Proposition 98 Establishes Minimum Spending Level

Proposition 98 establishes a minimum spending requirement commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 attendance. The state can spend at the minimum guarantee or any level above it. Spending above the minimum guarantee one year typically becomes part of the base for calculating the minimum guarantee the next year. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue is weak relative to per capita personal income and is paid when General Fund revenue is stronger.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Overview (continued)

2015-16 and 2016-17 Minimum Guarantees Down but Total Spending Up Slightly
The 2015-16 minimum guarantee has decreased $379 million due to lower-than-expected General Fund revenue. Proposition 98 spending that year, however, has increased $53 million due to various minor adjustments involving the Local Control Funding Formula (LCFF) and community college apportionments. The 2016-17 minimum guarantee has decreased $558 million, again due to lower estimates of General Fund revenue. Proposition 98 spending that year has decreased by $484 million, but total spending, including a settle-up payment of $514 million, is up slightly ($29 million) from the June 2016 level. The settle-up payment allows the state to cover some 2016-17 LCFF costs using funds set aside for Proposition 2 (2014) debt payments. In both 2015-16 and 2016-17, Proposition 98 spending is above the calculated minimum guarantees.

2017-18 Spending Up $3.1 Billion Over Revised 2016-17 Level
In 2017-18, total spending across all segments is $74.5 billion, an increase of $3.1 billion (4.4 percent) from the revised 2016-17 level. For 2017-18, the state funds at the estimate of the minimum guarantee. This estimate builds upon the higher levels of spending provided in 2015-16 and 2016-17. (Had the state not funded above the guarantee in those two years, the 2017-18 guarantee would have been $542 million lower.) Test 2 is the operative test in 2017-18, with the change in the guarantee attributable to a 3.7 percent increase in per capita personal income and a 0.05 percent decline in K-12 attendance. The increase in the guarantee also reflects a maintenance factor payment of $536 million. Under the administration's estimates, the state would end 2017-18 with an outstanding maintenance factor obligation of $900 million.

About One-Third of Increase Covered With Higher Property Tax Revenue
Of the total Proposition 98 spending provided in 2017-18, $52.6 billion is state General Fund and $21.9 billion is local property tax revenue. From 2016-17 to 2017-18, state General Fund increases $2.1 billion (accounting for about two-thirds of the $3.1 billion increase in spending) and property tax revenue increases by $1 billion. The primary factor explaining the growth in property tax revenue is the projected 5.3 percent growth in assessed property values, which is similar to the average growth rate over the past 20 years. Regarding local revenue associated with the dissolution of redevelopment agencies, the budget plan assumes a net increase of $31 million. This consists of a $131 million increase in the ongoing revenue shifted to schools and community colleges, offset by a $100 million decrease in revenue from the sale of assets formerly owned by redevelopment agencies.

Spending Package Reduces Outstanding Settle-Up Obligation by $603 Million
The budget plan includes a $603 million settle-up payment related to meeting the 2009-10 minimum guarantee. This payment reduces the state's outstanding settle-up obligation from slightly above $1 billion to $440 million. Of the $603 million provided, the budget plan allocates $514 million for covering 2016-17 LCFF costs, $86 million for the community college guided pathways initiative, and $3 million for the Career Technical Education Incentive Grant program. The state budget package scores all of the settle-up spending as a Proposition 2 debt payment.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

K-12 Education

$64.7 Billion Proposition 98 Funding for K-12 Education in 2017-18
The budgeted 2017-18 level is $2.7 billion (4.3 percent) more than revised 2016-17 level and $2.2 billion (3.6 percent) more than the *2016-17 Budget Act* level. The budget increases funding per student by $450 (4.3 percent) over the *2016-17 Budget Act* level, bringing Proposition 98 funding per student up to $10,863.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $2.4 billion in augmentations for K-12 education. Of these augmentations, $1.5 billion are ongoing increases and $933 million are one-time initiatives. In addition to these changes, the budget package includes $328 million in one-time initiatives funded from other sources. (Of this amount, $325 million is from Proposition 98 reversion dollars and $3 million is from a settle-up payment. Of the reversion dollars, $114 million is for a fund swap primarily relating to special education.) The budget also authorizes $593 million from Proposition 51 (2016) general obligation bond proceeds for school facilities.

General Purpose Funding

Accelerates Implementation of LCFF for School Districts and Charter Schools
The budget provides an additional $1.4 billion ongoing Proposition 98 funding for this purpose, bringing total LCFF funding for school districts and charter schools to $57.4 billion, a 2.7% increase over the revised 2016-17 level. The administration estimates this funding will result in the LCFF-target level being 97 percent-funded. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time augmentation for K-12 education is $877 million that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on average daily attendance ($147 per ADA). If an LEA has unpaid mandate claims, funding counts toward those claims. As most LEAs do not have any such claims, we estimate only about one-third ($268 million) of the funding will end up reducing the K-12 mandates backlog. We estimate the K-12 mandates backlog will be $799 million at the end of 2017-18.

Other Changes

Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely
The budget provides $423 million Proposition 98 funding for energy-efficiency projects at schools and community colleges. This reflects the fifth and final year of Proposition 39 (2012) funding. Trailer legislation, however, extends the date for schools to use this funding by one year, to June 30, 2019, and sets rules for how any remaining uncommitted funds are to be used. The first $75 million in remaining funds is earmarked for school districts and COEs to replace or retrofit school buses. Priority is given to LEAs having the oldest buses, serving disadvantaged communities, or serving high shares of low-income students. The next $100 million is earmarked for a competitive grant program to provide K-12 LEAs with low- and no-interest loans for energy projects. Any funding still remaining is to be distributed as grants to K-12 LEAs according to Proposition 39 rules. The trailer legislation also extends the Proposition 39 energy-efficiency programs for K-12 and CCC LEAs beginning in 2018-19, contingent upon funds being made available through the annual budget act or other statute.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Other Changes (continued)

Augments After School Education and Safety (ASES) Program
Proposition 49, passed by the voters in 2002, requires the state to provide $550 million in Proposition 98 funds annually for the ASES program. Since Proposition 49 was enacted, ASES providers have received $7.50 per child per day. The budget increases ASES funding by $50 million (9%)—bringing total funding to $600 million. The augmentation will increase the per-child per-day rate.

School Facilities

Provides First Installment of Proposition 51 Bond Funding for School Facilities
Passed by the voters in November 2016, Proposition 51 authorizes the state to sell $9 billion in general obligation bonds—$7 billion for schools and $2 billion for community colleges. The state plans to issue $593 million of these bonds for K-12 facility projects in 2017-18. This would fully fund the state's list of $368 million in already approved facility projects, as well as $225 million in additional projects.

Establishes New Audit Rules
Trailer legislation shifts audit responsibilities for state-funded school facility projects from the Office of Public School Construction to local independent auditors. Moving forward, the local auditors are to review facility expenditures to ensure that they comply with the rules of the state's School Facilities Program. In June 2017, the State Allocation Board also enacted a regulatory change requiring districts to sign grant agreements prior to receiving state funding that specify allowable project expenditures.

All of these factors were considered in preparing the Mount Diablo Unified School District budget for the 2017-18 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at Mount Diablo Unified School District, 1936 Carlotta Drive, Concord, California, 94519.

	Total Governmental Activities
ASSETS	
Cash	$ 204,716,585
Investments	5,264,000
Accounts receivable	19,002,705
Inventories	400,679
Prepaid expenses	15,599
Non-depreciable capital assets	18,325,214
Depreciable capital assets	828,734,680
Less, accumulated depreciation	(300,545,651)
Total assets	775,913,811
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	67,517,223
Deferred amounts on refunding	8,552,799
Total deferred outflows of resources	76,070,022
LIABILITIES	
Accounts payable	27,713,237
Unearned revenue	1,544,071
Long term liabilities:	
Due or payable within one year	22,481,054
Due or payable after one year	667,637,560
Net pension liability	298,285,565
Total liabilities	1,017,661,487
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	21,554,084
NET POSITION	
Net investment in capital assets	112,525,077
Restricted for:	
Capital projects	10,469,580
Debt service	29,602,903
Categorical programs	23,109,647
Unrestricted	(362,938,945)
Total net position	$ (187,231,738)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2017

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	$ 241,603,833	$ 808,507	$ 43,663,321	$ 17,637	$ (197,114,368)
Instruction-Related Services:					
Supervision of instruction	16,992,721	55,623	5,454,518	-	(11,482,580)
Instructional library, media and technology	4,228,868	5,253	524,999	-	(3,698,616)
School site administration	28,595,739	7,558	2,576,660	-	(26,011,521)
Pupil Support Services:					
Home-to-school transportation	10,823,708	14,600	679,525	-	(10,129,583)
Food services	11,963,729	2,815,460	9,347,649	-	199,380
All other pupil services	24,125,201	115,575	6,767,797	-	(17,241,829)
General Administration Services:					
Data processing services	3,271,376	1	15	-	(3,271,360)
Other general administration	12,848,222	117,034	1,599,363	-	(11,131,825)
Plant Services	59,020,480	163,960	9,636,699	-	(49,219,821)
Ancillary Services	1,845,084	21,864	608,681	-	(1,214,539)
Community Services	35,070	-	-	-	(35,070)
Interest on Long-term Debt	20,756,574	-	-	-	(20,756,574)
Other Outgo	3,461,005	43,787	780,770	-	(2,636,448)
Total Governmental Activities	$ 439,571,610	$ 4,169,222	$ 81,639,997	$ 17,637	(353,744,754)

General Revenues:	
Property taxes	162,283,509
Federal and state aid not restricted to specific purpose	143,794,490
Interest and investment earnings	1,274,501
Miscellaneous	10,540,319
Total general revenues	317,892,819
Change in net position	(35,851,935)
Net position - July 1, 2016, as originally stated	(50,226,594)
Adjustment for restatements	(101,153,209)
Net position - July 1, 2016, as restated	(151,379,803)
Net position - June 30, 2017	$ (187,231,738)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 88,221,047	$ 75,007,972	$ 29,582,742	$ 11,904,824	$ 204,716,585
Investments	1,500,024	-	-	3,763,976	5,264,000
Accounts receivable	16,717,512	59,538	20,161	2,133,119	18,930,330
Due from other funds	53,650	-	-	-	53,650
Inventories	367,883	-	-	32,796	400,679
Prepaid expenditures	15,599	-	-	-	15,599
Total Assets	$ 106,875,715	$ 75,067,510	$ 29,602,903	$ 17,834,715	$ 229,380,843
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 16,592,750	$ 2,410,552	$ -	$ 509,117	$ 19,512,419
Due to other funds	-	-	-	53,650	53,650
Unearned revenue	1,493,671	-	-	50,400	1,544,071
Total Liabilities	18,086,421	2,410,552	-	613,167	21,110,140
Fund Balances					
Nonspendable	687,759	-	-	32,796	720,555
Restricted	18,449,562	72,656,958	29,602,903	15,445,244	136,154,667
Committed	-	-	-	1,743,508	1,743,508
Assigned	54,339,638	-	-	-	54,339,638
Unassigned	15,312,335	-	-	-	15,312,335
Total Fund Balances	88,789,294	72,656,958	29,602,903	17,221,548	208,270,703
Total Liabilities and Fund Balances	$ 106,875,715	$ 75,067,510	$ 29,602,903	$ 17,834,715	$ 229,380,843

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds			$ 208,270,703
Amounts reported for governmental *activities* in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $847,059,894, and the accumulated depreciation is $(300,545,651).			546,514,243
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:			(156,299,651)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	(524,415,868)	
	Construction loan payable	(4,206,971)	
	Capital leases payable	(1,598,985)	
	Compensated absences payable	(3,597,139)	(533,818,963)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(298,285,565)
Deferred amounts on refunding represent amount paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			8,552,799
In governmental funds, interest subsidies received from the federal government are recognized in the period that they are received. In the government-wide statements, they are recognized in the period in which they are earned.			72,375
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred outflows and inflows of resources relating to pensions consist of:			
	Deferred outflows		67,517,223
	Deferred inflows		(21,554,084)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(8,200,818)
Total net position - governmental activities			$ (187,231,738)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 259,948,678	$ -	$ -	$ -	$ 259,948,678
Federal sources	17,659,739	-	1,883,850	9,896,163	29,439,752
Other state sources	61,023,495	-	242,116	4,384,797	65,650,408
Other local sources	16,706,087	648,994	30,528,897	7,516,358	55,400,336
Total Revenues	355,337,999	648,994	32,654,863	21,797,318	410,439,174
EXPENDITURES					
Current:					
Instruction	231,552,429	-	-	3,780,961	235,333,390
Instruction-related services:					
Supervision of instruction	16,344,480	-	-	350,366	16,694,846
Instructional library, media and technology	3,864,963	-	-	111,035	3,975,998
School site administration	25,600,384	-	-	1,886,765	27,487,149
Pupil support services:					
Home-to-school transportation	11,535,214	-	-	-	11,535,214
Food services	12,949	-	-	11,595,384	11,608,333
All other pupil services	22,944,281	-	-	42,708	22,986,989
Ancillary services	1,837,208	-	-	-	1,837,208
Community services	201	-	-	88	289
General administration services:					
Data processing services	3,159,062	-	-	-	3,159,062
Other general administration	11,622,850	-	-	26,752	11,649,602
Plant services	28,490,102	-	-	1,288,289	29,778,391
Transfers of indirect costs	(536,788)	-	-	536,788	-
Intergovernmental transfers	2,900,558	-	-	-	2,900,558
Capital outlay	2,277,499	10,681,170	-	710,378	13,669,047
Debt service:					
Issuance costs	-	286,155	274,292	-	560,447
Principal	621,221	-	18,142,351	119,078	18,882,650
Interest	51,295	-	19,006,538	-	19,057,833
Total Expenditures	362,277,908	10,967,325	37,423,181	20,448,592	431,117,006
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,939,909)	(10,318,331)	(4,768,318)	1,348,726	(20,677,832)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	-	83,502	83,502
Interfund transfers out	(83,502)	-	-	-	(83,502)
Proceeds from bond issuance	-	38,500,000	-	-	38,500,000
Premium on bond issuance	-	-	2,467,935	-	2,467,935
Total Other Financing Sources and Uses	(83,502)	38,500,000	2,467,935	83,502	40,967,935
Net Change in Fund Balances	(7,023,411)	28,181,669	(2,300,383)	1,432,228	20,290,103
Fund Balances, July 1, 2016	95,812,705	44,475,289	31,903,286	15,789,320	187,980,600
Fund Balances, June 30, 2017	$ 88,789,294	$ 72,656,958	$ 29,602,903	$ 17,221,548	$ 208,270,703

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds		$ 20,290,103
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	11,468,983	
Depreciation expense	(24,737,315)	(13,268,332)
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(40,967,935)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		18,882,650
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was:		(10,758,761)
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premiums for the period is:		2,493,699
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, was:		(912,505)
In governmental funds, interest receivable from the federal government is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional amount for interest subsidies owing at the end of the period was:		933,805
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest, less amounts paid, for the period was:		(4,111,752)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The current year amortization was:		(865,743)
In government funds, pension costs are recognized when empoyer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(6,908,804)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(658,360)
Change in net position of governmental activities		$ (35,851,935)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2017

	Trust Fund	Agency Funds		
	Private-Purpose Trust Fund	Student Body Funds	Debt Service Fund for Special Assessment Debt	Totals
ASSETS				
Cash	$ 55,773	$ 1,289,108	$ 6,795,779	$ 8,140,660
Investments	-	-	7,220,155	7,220,155
Accounts receivable	33	-	3,778	3,811
Total Assets	55,806	$ 1,289,108	$ 14,019,712	15,364,626
LIABILITIES				
Due to bondholders	$ -	$ -	$ 14,019,712	14,019,712
Due to student groups	-	1,289,108	-	1,289,108
Total Liabilities	-	$ 1,289,108	$ 14,019,712	15,308,820
NET POSITION				
Restricted	$ 55,806			$ 55,806

	Trust Fund
	Private-Purpose Trust Fund
ADDITIONS	
Interest	$ 529
DEDUCTIONS	
Operating expenses	1
Change in net position	528
Net position - July 1, 2016	55,278
Net position - June 30, 2017	$ 55,806

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mount Diablo Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

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

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Mount Diablo Unified School District Education Facilities Financing Corporation (the Corporation) financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

General Fund: This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Bond Interest and Redemption Fund: This Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

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

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Capital Projects Fund for Blended Component Units: This fund is used to account for the activity of the Community Facilities Districts.

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section* 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. The District maintains these funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District that maintain a student body fund.

Debt Service Fund for Special Assessment Debt: This agency fund is used to account for the accumulation of resources for, and the repayment of debt for the CFD bonds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements
The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

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

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

C. 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 1 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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 been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	30 years
Furniture and Equipment	5-20 years
Vehicles	8 years

4. Unearned Revenue

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

5. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amounts on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

6. Compensated Absences
The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Net Position

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

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

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

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

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

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

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.

G. Property Tax Calendar

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

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

I. New GASB Pronouncements

During the 2016-17 fiscal year, the following GASB Pronouncements became effective:

1. **Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)***

   The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 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 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

2. **Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)***

   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.* 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 nonemployer 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 nonemployer 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, nonemployer 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

3. **Statement No. 77,** ***Tax Abatement Disclosures (Issued 08/15)***
For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

4. **Statement No. 78,** ***Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15)***
This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

5. **Statement No. 80,** ***Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)***
This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

6. **Statement No. 82,** ***Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)***
The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017, are reported at fair value and consisted of the following:

	Rating	Governmental Funds/Activities	Fiduciary Funds
Pooled Funds:			
Cash in county treasury		$ 203,592,998	$ 5,451,793
Cash with fiscal agent		32,086	1,399,759
Total Pooled Funds		203,625,084	6,851,552
Deposits:			
Cash on hand and in banks		769,365	1,289,108
Cash deposits awaiting collection		17,859	-
Cash in revolving fund		304,277	-
Total Deposits		1,091,501	1,289,108
Total Cash		$ 204,716,585	$ 8,140,660
Investments:			
LAIF	Not Rated	$ 5,264,000	$ -
CAMP Money Market	Not Rated	-	7,220,155
Total Investments		$ 5,264,000	$ 7,220,155

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2017, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits (continued)
In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2017, $1,409,339 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

Maturities of investments held at June 30, 2017, consisted of the following:

		Maturity	
	Fair value	Less Than One Year	One Year Through Five Years
Local Agency Investment Fund (LAIF)	$ 5,264,000	$ 5,264,000	$ -
CAMP Pool - Money Market	7,220,155	7,220,155	-
	$ 12,484,155	$ 12,484,155	$ -

Investments - Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2017, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had the following investment that represented more than five percent of the District's net investments.

Local Agency Investment Fund (LAIF)	42.2%
CAMP Pool - Money Market	57.8%

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Totals
Federal Government:					
Categorical aid programs	$ 4,070,656	$ -	$ -	$ 1,635,072	$ 5,705,728
State Government:					
LCFF	6,083,181	-	-	-	6,083,181
Lottery	2,913,418	-	-	-	2,913,418
Special education	1,590,920	-	-	-	1,590,920
Categorical aid programs	1,223,861	-	-	-	1,223,861
Other State	560,562			369,534	930,096
Local:					
Interest	-	59,538	-	-	59,538
Miscellaneous	274,914	-	20,161	128,513	423,588
Total	$ 16,717,512	$ 59,538	$ 20,161	$ 2,133,119	$ 18,930,330

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2017, consisted of the following:

Cafeteria Fund due to General Fund for indirect costs	$ 53,650

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2017, consisted of the following:

General Fund transfer to Adult Education Fund for pass-through grants	$ 83,502

NOTE 5 – FUND BALANCES

At June 30, 2017, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 304,277	$ -	$ -	$ -	$ 304,277
Stores inventories	367,883	-	-	32,796	400,679
Prepaid expenditures	15,599	-	-	-	15,599
Total Nonspendable	687,759	-	-	32,796	720,555
Restricted:					
Categorical programs	18,449,562	-	-	44,201	18,493,763
Food service program	-	-	-	4,583,088	4,583,088
Capital projects	-	72,656,958	-	10,817,955	83,474,913
Debt service	-	-	29,602,903	-	29,602,903
Total Restricted	18,449,562	72,656,958	29,602,903	15,445,244	136,154,667
Committed:					
Adult education program	-	-	-	1,743,508	1,743,508
Total Committed	-	-	-	1,743,508	1,743,508
Assigned:					
LCFF targeted supplemental reserve	24,898,856	-	-	-	24,898,856
School site carryover	8,768,849	-	-	-	8,768,849
Salary & benefits increase in 17/18	7,980,000	-	-	-	7,980,000
Retirement & health benefit increases	12,691,933	-	-	-	12,691,933
Total Assigned	54,339,638	-	-	-	54,339,638
Unassigned:					
Reserve for economic uncertainties	7,245,558	-	-	-	7,245,558
Remaining unassigned balances	8,066,777	-	-	-	8,066,777
Total Unassigned	15,312,335	-	-	-	15,312,335
Total	$ 88,789,294	$ 72,656,958	$ 29,602,903	$ 17,221,548	$ 208,270,703

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Deletions	Balance, June 30, 2017
Capital assets not being depreciated:				
Land	$ 14,436,462	$ -	$ -	$ 14,436,462
Construction in progress	107,146,271	9,245,551	112,503,070	3,888,752
Total capital assets not being depreciated	121,582,733	9,245,551	112,503,070	18,325,214
Capital assets being depreciated:				
Improvement of sites	117,129,748	66,718	-	117,196,466
Buildings	576,886,874	112,606,167	-	689,493,041
Equipment	19,991,556	2,053,617	-	22,045,173
Total capital assets being depreciated	714,008,178	114,726,502	-	828,734,680
Accumulated depreciation for:				
Improvement of sites	(17,757,289)	(3,853,344)	-	(21,610,633)
Buildings	(242,503,332)	(20,066,435)	-	(262,569,767)
Equipment	(15,547,715)	(817,536)	-	(16,365,251)
	(275,808,336)	(24,737,315)	-	(300,545,651)
Total capital assets being depreciated, net	438,199,842	89,989,187	-	528,189,029
Governmental activity capital assets, net	$ 559,782,575	$ 99,234,738	$ 112,503,070	$ 546,514,243

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 12,083
Instructional Supervision	9,668
Pupil Services	593,625
All Other General Administration	94,838
Plant Services	24,027,101
Total	$ 24,737,315

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 449,332,785	$ 38,500,000	$ 18,142,351	$ 469,690,434	$ 19,113,231
Accreted interest component	19,115,573	4,339,401	227,649	23,227,325	266,769
Unamortized issuance premium	31,523,873	2,467,935	2,493,699	31,498,109	2,563,811
Total - Bonds	499,972,231	45,307,336	20,863,699	524,415,868	21,943,811
Construction Loan	4,326,049	-	119,078	4,206,971	-
Capital Leases	2,220,206	-	621,221	1,598,985	537,243
Compensated Absences	2,938,779	658,360	-	3,597,139	-
Other Postemployment Benefits *	145,540,890	10,758,761	-	156,299,651	-
Totals	$ 654,998,155	$ 56,724,457	$ 21,603,998	$ 690,118,614	$ 22,481,054

** Restated the beginning balance of OPEB by $101,153,209 due to the early implementation of GASB Statement No.75*

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund. Payments on the construction loan are made from the Capital Facilities Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments for postemployment benefits and compensated absences are made from the fund for which the related employee worked.

A. General Obligation Bonds

2010 Election (Measure C)
In a general election held on June 8, 2010, the voters approved $348 million of general obligation bonds for the purpose of financing the construction, acquisition, furnishing, and equipping of District facilities, and to prepay certain outstanding lease purchase obligations.

A portion of the bonds, issued as 2010 Series B, were designated as "New Clean Renewable Energy Bonds". Another portion of the bonds, issued as 2011 Series C, were designated as "Qualified School Construction Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"), with a direct payment to be paid to the District by the United States Treasury (the "Treasury") for each payment of interest due on the bonds. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds.

Refunding Bonds
In previous years, beginning in 2011, the District has issued refunding bonds to advance refund certain of the District's previously issued and outstanding Measure C bonds. Net proceeds from the refunding bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2017, deferred amounts on refunding of $8,552,799 remain to be amortized, and there is no principal balance outstanding on the defeased debt.

Source of Repayment on Bonds
The Bonds are general obligations of the District only. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District to pay the principal and interest on each bond as they become due and payable.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

A summary of outstanding general obligation bonds issued is presented below:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding, July 1, 2016	Additions	Redeemed During Year	Outstanding, June 30, 2017
Measure C (2010)								
Series A	2.46%-4.70%	9/30/2010	8/1/2035	$ 50,456,475	$ 50,456,475	$ -	$ 27,860	$ 50,428,615
Series B	1.244%-5.048%	9/30/2010	8/1/2027	59,540,000	54,175,000	-	2,720,000	51,455,000
Series C	2.0%-5.4%	4/12/2011	8/1/2025	3,865,000	3,860,000	-	-	3,860,000
Series D	3.22%-5.5%	4/12/2011	8/1/2031	7,133,582	6,891,310	-	234,491	6,656,819
Series E	0.3%-5.0%	6/20/2012	6/1/2037	149,995,000	136,860,000	-	210,000	136,650,000
Series F	4.0%-5.0%	7/15/2015	8/1/2025	38,500,000	38,500,000	-	7,535,000	30,965,000
Series G	2.0%-3.0%	11/16/2016	8/1/2031	38,500,000	-	38,500,000	-	38,500,000
Refunding Issues								
Series 2011	2.0%-5.0%	6/21/2011	8/1/2026	37,790,000	28,115,000	-	2,165,000	25,950,000
Series B	2.0%-5.0%	12/29/2011	7/1/2023	43,700,000	38,320,000	-	4,150,000	34,170,000
Series B-2	2.0%-5.0%	4/5/2012	7/1/2029	40,540,000	39,955,000	-	-	39,955,000
Series C	2.0%-5.0%	4/10/2013	6/1/2031	54,015,000	52,200,000	-	1,100,000	51,100,000
					$ 449,332,785	$ 38,500,000	$ 18,142,351	$ 469,690,434
			Accreted Interest:					
				2010, Series A	$ 18,630,580	$ 4,227,916	$ 27,140	$ 22,831,356
				2010, Series D	484,993	111,485	200,509	395,969
					$ 19,115,573	$ 4,339,401	$ 227,649	$ 23,227,325

The annual requirements to amortize general obligation bonds outstanding at June 30, 2017, is as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	$ 19,113,231	$ 18,977,979	$ 38,091,210
2018-2019	19,980,203	18,302,262	38,282,465
2019-2020	20,741,782	17,184,146	37,925,928
2020-2021	21,128,603	16,255,895	37,384,498
2021-2022	21,120,954	18,415,290	39,536,244
2022-2027	122,258,534	87,124,828	209,383,362
2027-2032	151,216,123	81,485,577	232,701,700
2032-2037	94,131,004	26,189,442	120,320,446
	$ 469,690,434	$ 283,935,419	$ 753,625,853

B. Construction Loan

In February 2003, the Redevelopment Agency of the City of Pittsburg made an interest-free loan of $6,178,936 to the District. The loan is to be used for the construction of an elementary school within the City of Pittsburg. Beginning June 1, 2005, the District pays 24% of all impact fees collected by the District in the City of Pittsburg after January 1, 2005. The District will continue to make payments equivalent to 24% of impact fees collected in the City every six months on June 1st and January 1st until June 1, 2040, or until the loan is paid off, whichever occurs first. The balance at June 30, 2017, is $4,206,971.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

C. Capital Leases

The District leases school buses having a value of $4,201,144 under agreements which provide for title to pass upon expiration of the lease period. Future yearly payments on capitalized lease obligations are as follows:

Fiscal Year	Payment
2017-2018	$ 573,934
2018-2019	474,352
2019-2020	474,352
2020-2021	155,868
Total payments	1,678,506
Less amount representing Interest	(79,521)
Total	$ 1,598,985

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment, classroom or buses.

D. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $13,790,000 as of June 30, 2017, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – JOINT VENTURES

The Mount Diablo Unified School District participates in joint ventures under joint powers agreements with the CSAC Excess Insurance Authority (CSAC-EIA), the Schools' Self-Insurance of Contra Costa County (SSICCC), and the School Project for Utility Rate Reduction (SPURR). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage as well as health and welfare benefits coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information for the JPAs is shown below:

	CSAC-EIA (Audited) June 30, 2016	SSICCC (Audited) June 30, 2016	SPURR (Audited) June 30, 2016
Assets	$ 738,658,237	$ 105,800,073	$ 11,805,370
Deferred outflows	3,329,112	2,414,930	-
Liabilities	602,870,657	84,624,321	6,302,506
Deferred inflows	1,444,075	298,653	-
Net Position	$ 137,672,617	$ 23,292,029	$ 5,502,864
Revenues	$ 773,042,131	$ 43,605,104	$ 31,913,550
Expenses	761,726,010	39,945,013	31,954,374
Operating Income	11,316,121	3,660,091	(40,824)
Non-Operating Income(Expense)	13,949,851	1,471,676	(3,298)
Change in Net Position	$ 25,265,972	$ 5,131,767	$ (44,122)

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments

As of June 30, 2017, the District had commitments with respect to unfinished capital projects of $2.9 million be paid from a combination of State and local funds.

C. Litigation

The District is involved in certain other legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2017.

NOTE 10 – RISK MANAGEMENT

The District is self-insured for property and liability claims up to $100,000 per liability claim. Liability claims in excess of $100,000 and up to $1,000,000 are covered by a commercial insurance policy. The District liability claims in excess of $1,000,000 are covered by CSAC-EIA. Property claims in excess of $100,000 are covered by a commercial insurance policy up to $149,000,000. All activity for the District's self-insurance account is included in the General fund.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions
The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool 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 under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided
CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4% at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a $6,163 lump-sum death payment. There is a 2% simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2% increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1% of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0% at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)
Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2% per year.

Contributions
Active CalSTRS plan members under *2% at 60* were required to contribute 10.25% and plan members under *2% at 62* were required to contribute 9.205% of their salary in 2016-17. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. 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 required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	$ 19,609,671	$ 7,289,099
Employee contributions paid by employer	$ -	$ -
Employer contributions paid by State	$ 18,088,887	$ -

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 219,996,320
CalPERS	$ 78,289,245
Total Net Pension Liability	$ 298,285,565

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016, was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2015	0.2910%	0.4045%
Proportion - June 30, 2016	0.2720%	0.3964%
Change - Increase (Decrease)	-0.0190%	-0.0081%

For the year ended June 30, 2017, the District recognized pension expense of $27,734,090. At June 30, 2017, 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	$ 26,898,770	$ -
Differences between actual and expected experience	3,367,188	(5,366,560)
Changes in assumptions	-	(2,352,126)
Adjustment due to differences in proportions	-	(6,103,966)
Net differences between projected and actual earnings on plan investments	37,251,265	(7,731,433)
	$ 67,517,223	$ (21,554,084)

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The total amount of $26,898,770 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2018	$ 4,087,936
2019	3,909,612
2020	8,220,618
2021	1,957,580
2022	(2,773,513)
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2015, valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – for CalSTRS
The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalSTRS (continued)
Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS
The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 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 long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

	Target Allocation		Long-Term Expected Rate of Return	
Asset Class	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	6.30%	5.71%
Global Debt Securities	N/A	20%	N/A	2.43%
Inflation Sensitive	4%	6%	3.80%	3.36%
Private Equity	13%	10%	9.30%	6.95%
Absolute Return/Risk Mitigating Strategies	9%	N/A	2.90%	N/A
Real Estate	13%	10%	5.20%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	12%	N/A	0.30%	N/A
Cash/Liquidity	2%	1%	-1.00%	-1.05%
	100%	100%		

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 316,624,320	$ 116,807,990
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 219,996,320	$ 78,289,245
1% Increase	8.60%	8.65%
Net Pension Liability	$ 139,742,720	$ 46,214,810

Pension Plan Fiduciary Net Position
Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

C. Payable to the Pension Plans
At June 30, 2017, the District reported no payables for outstanding contributions to the CalSTRS and CalPERS pension plans for the fiscal year ended June 30, 2017.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information About the OPEB Plan

Plan Description
Eligible employees may continue medical and dental benefits at retirement. The plan is available to Mount Diablo Educators Association (MDEA) employees, classified employees (Including Local 1 CST, Teamsters 856 and CSEA Employees), management & confidential employees, psychologists, and supervisors. The Plan is a single-employer defined benefit OPEB plan administered by the District. Board Policy grants the authority to establish and amend the benefit terms and financing requirements to the governing board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided
The benefits provided and the District contribution vary by employee group as outlined below.

MDEA Employees
The District pays for the cost of retiree plus one eligible dependent (depending on age of dependent at retirement) and all dependents for dental coverage for a period of 10 years or to the retiree's attainment of age 65, if earlier. The District's pre-65 contribution is capped at the current Kaiser HMO rate for retirees in the service area and the actual premium rate for retirees outside the service area. Upon reaching age 65, the District pays the CalPERS minimum required contribution only. An eligible retiree can elect additional dependent coverage but will be required to pay any additional costs above the District contribution. Dental benefits are only provided to eligible employees retiring prior to age 64. Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution through the retiree age 65. For continuation after the retirees age 65, the District's contribution is equal to the CalPERS minimum required contribution. All dental coverage ceases when the retiree attains or would have attained age 65.

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

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information About the OPEB Plan (continued)

Benefits Provided (continued)

Management & Confidential Employees (continued)
Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution through the retiree age 65. For continuation after the retirees age 65, the District's contribution is equal to the CalPERS minimum required contribution. All dental coverage ceases when the retiree attains or would have attained age 65.

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

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

Employees covered by benefit terms
At June 30, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	1,275
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	3,246
Total	4,521

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability

The District's total OPEB liability of $156,299,651 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.75 percent
Salary increases	3.00 percent
Discount rate	3.40 percent
Healthcare cost trend rates	
PPO	6.5 percent in 2019, trending down to 5.0 percent in 2022 and later
HMO	6.0 percent in 2019, trending down to 5.0 percent in 2022 and later
Dental	4.0 percent
Retirees' share of benefit-related costs	The CalPERS minimum required contribution is assumed to increase 4% per year.

The discount rate is the average, rounded to 5 basis points, of the range of three 20-year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, and Fidelity GO AA 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and STRS for the pension valuations. Termination rates are based on the most recent rates used by CalPERS and the California State Teachers Retirement System (STRS) for the pension valuation.

C. **Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at July 1, 2016	$ 145,540,890
Changes for the year:	
Service cost	11,331,075
Interest	5,234,924
Benefit payments	(5,807,238)
Net changes	10,758,761
Balance at June 30, 2017	$ 156,299,651

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 2.40%	Discount Rate 3.40%	1% Increase 4.40%
Total OPEB liability (asset)	$ 176,610,212	$ 156,299,651	$ 139,341,610

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (5.00%HMO/5.00%PPO decreasing to 4.00%HMO/4.00%PPO)	Healthcare Cost Trend Rates (6.00%HMO/6.00%PPO decreasing to 5.00%HMO/5.00%PPO)	1% Increase (7.00%HMO/7.00%PPO decreasing to 6.00%HMO/6.00%PPO)
Net OPEB liability (asset)	$ 135,024,235	$ 156,299,651	$ 182,948,760

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of $16,565,999. At June 30, 2017, the District reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

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Required Supplementary Information

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MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
Revenues				
LCFF Sources	$ 257,740,631	$ 257,740,629	$ 259,948,678	$ 2,208,049
Federal Sources	17,659,739	20,440,757	17,659,739	(2,781,018)
Other State Sources	61,023,945	62,596,012	61,023,495	(1,572,517)
Other Local Sources	16,706,087	15,828,728	16,706,087	877,359
Total Revenues	353,130,402	356,606,126	355,337,999	(1,268,127)
Expenditures				
Current:				
Certificated Salaries	158,837,173	158,994,990	158,837,173	157,817
Classified Salaries	53,905,131	54,054,448	53,905,131	149,317
Employee Benefits	90,118,204	90,531,496	90,118,204	413,292
Books and Supplies	14,332,748	55,547,732	14,332,748	41,214,984
Services and Other Operating Expenditures	39,500,262	45,013,976	39,500,262	5,513,714
Transfers of Indirect Costs	(537,058)	(586,227)	(537,058)	(49,169)
Intergovernmental	3,573,074	3,573,074	3,573,074	-
Capital Outlay	2,548,374	6,055,153	2,548,374	3,506,779
Debt Service	672,515	672,515	-	672,515
Total Expenditures	362,950,423	413,857,157	362,277,908	51,579,249
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,820,021)	(57,251,031)	(6,939,909)	50,311,122
Other Financing Sources and Uses				
Interfund Transfers Out	(175,156)	(175,156)	(83,502)	91,654
Total Other Financing Sources and Uses	(175,156)	(175,156)	(83,502)	91,654
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,995,177)	(57,426,187)	(7,023,411)	50,402,776
Fund Balances, July 1, 2016	71,521,400	71,521,401	95,812,705	24,291,304
Fund Balances, June 30, 2017	$ 61,526,223	$ 14,095,214	$ 88,789,294	$ 74,694,080

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2017

Last 10 Fiscal Years*

	2017
Total OPEB liability	
Service cost	$ 11,331,075
Interest	5,234,924
Benefit payments	(5,807,238)
Net change in total OPEB liability	10,758,761
Total OPEB liability - beginning	145,540,890
Total OPEB liability - ending	$ 156,299,651
Covered-employee payroll	$ 202,725,000
Total OPEB liability as a percentage of covered-employee payroll	77.10%

Notes to Schedule:

No were no changes to benefit terms or assumptions.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2017

Last Ten Fiscal Years*

	2016	2015	2014
CalSTRS			
District's proportion of the net pension liability	0.2720%	0.2910%	0.2760%
District's proportionate share of the net pension liability	$ 219,996,320	$ 195,912,840	$ 161,286,120
State's proportionate share of the net pension liability associated with the District	125,258,419	103,616,018	97,392,501
Totals	$ 345,254,739	$ 299,528,858	$ 258,678,621
District's covered-employee payroll	$ 137,080,196	$ 131,676,520	$ 123,886,776
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160.49%	148.78%	130.19%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.3964%	0.4045%	0.3979%
District's proportionate share of the net pension liability	$ 78,289,245	$ 59,623,699	$ 45,171,338
District's covered-employee payroll	$ 47,558,749	$ 45,257,132	$ 41,430,353
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.62%	131.74%	109.03%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2017

Last Ten Fiscal Years*

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 19,609,671	$ 14,708,705	$ 11,692,875
Contributions in relation to the contractually required contribution	19,609,671	14,708,705	11,692,875
Contribution deficiency (excess):	$ -	$ -	$ -
District's covered-employee payroll	$ 155,879,738	$ 137,080,196	$ 131,676,520
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 7,289,099	$ 5,634,285	$ 5,327,217
Contributions in relation to the contractually required contribution	7,289,099	5,634,285	5,327,217
Contribution deficiency (excess):	$ -	$ -	$ -
District's covered-employee payroll	$ 52,484,872	$ 47,558,749	$ 45,257,132
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

These schedules are required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

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

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

There were no changes of assumptions.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the District did not incur any excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule.

Supplementary Information

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The Mount Diablo Unified School District was established on July 1, 1949. The District is located in Contra Costa County and serves students in the cities of Concord, Pleasant Hill, Walnut Creek, and portions of the cities of Clayton, Martinez, Pittsburg, and other surrounding communities. There were no changes in the boundaries of the District during the current year. The District currently operates 28 elementary schools, nine middle schools, five high schools, two special education schools, one continuation high school, five necessary small high schools, one independent study school, and two adult education centers.

GOVERNING BOARD

Member	Office	Term Expires
Debra Mason	President	December 2018
Cheryl Hansen	Vice-President	December 2018
Joanne Durkee	Member	December 2020
Brian Lawrence	Member	December 2020
Linda Mayo	Member	December 2018

DISTRICT ADMINISTRATORS

Dr. Nellie Meyer,Ed.D.,
Superintendent

Jose Espinoza,
Assistant Superintendent, Elementary Schools

Jonathan Eagan,
Assistant Superintendent, Middle Schools

Christopher Holleran,
Assistant Superintendent, High Schools

Rose Ramos,
Chief Business Official

Jennifer Sachs,
Executive Director of Instructional Support

Leyla Benson,
Executive Director of Personnel

Wendi Aghily,
Executive Director of Special Education

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2017

	Second Period Report	**Annual Report**
	Certificate No. (A5C98B9D)	Certificate No. (3B733F41)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	9,959.11	9,948.96
Fourth through Sixth	7,448.06	7,434.55
Seventh through Eighth	4,766.89	4,764.60
Ninth through Twelfth	7,909.19	7,817.26
Total Regular ADA & Extended Year	30,083.25	29,965.37
Special Education - Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	5.98	6.37
Fourth through Sixth	17.57	17.66
Seventh through Eighth	26.88	27.39
Ninth through Twelfth	89.70	89.50
Total Special Education - Nonpublic, Nonsectarian Schools	140.13	140.92
Community Day School:		
Seventh through Eighth	4.06	4.52
Ninth through Twelfth	8.80	9.16
Total Community Day School	12.86	13.68
Total ADA	30,236.24	30,119.97

Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2017

Grade Level	Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,000	180	Complied
Grade 1	50,400	51,871	180	Complied
Grade 2	50,400	51,871	180	Complied
Grade 3	50,400	51,871	180	Complied
Grade 4	54,000	55,801	180	Complied
Grade 5	54,000	55,801	180	Complied
Grade 6	54,000	57,892	180	Complied
Grade 7	54,000	57,892	180	Complied
Grade 8	54,000	57,892	180	Complied
Grade 9	64,800	64,905	180	Complied
Grade 10	64,800	64,905	180	Complied
Grade 11	64,800	64,905	180	Complied
Grade 12	64,800	64,905	180	Complied

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2017

General Fund	(Budget) 2018 [2]	2017	2016	2015
Revenues and other financing sources	$ 329,502,156	$ 355,337,999	$ 344,050,090	$ 294,964,499
Expenditures	377,849,718	362,277,908	319,583,630	285,924,967
Other uses and transfers out	-	83,502	175,156	3,276,196
Total outgo	377,849,718	362,361,410	319,758,786	289,201,163
Change in fund balance (deficit)	(48,347,562)	(7,023,411)	24,291,304	5,763,336
Ending fund balance	$ 40,441,732	$ 88,789,294	$ 95,812,705	$ 71,521,401
Available reserves [1]	$ 21,423,180	$ 15,312,335	$ 43,317,863	$ 39,495,171
Available reserves as a percentage of total outgo	5.7%	4.2%	13.5%	13.7%
Total long-term debt [3]	$ 970,487,345	$ 988,404,179	$ 910,534,694	$ 719,583,733
Average daily attendance at P-2	29,488	30,236	30,463	30,373

The General Fund balance has increased by $17,267,893 over the past two years. The fiscal year 2017-18 adopted budget projects a decrease of $48,347,562. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years, but anticipates incurring an operating deficit during the 2017-18 fiscal year. Long-term debt has increased by $268,820,446 over the past two years.

Average daily attendance has decreased by 137 over the past two years. A further decrease of 748 ADA is projected during fiscal year 2017-18.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2017.

[3] 2016 restated for implementation of GASB 75.

Charter School	Inclusion in Financial Statements
Eagle Peak Montessori (No.0305)	Not included

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2017

	Cafeteria Fund
June 30, 2017, annual financial and budget report (SACS) fund balances	$ 4,405,928
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash in banks understated	87,648
Accounts receivable understated	122,308
Net adjustments and reclassifications	209,956
June 30, 2017, audited financial statement fund balances	$ 4,615,884

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	$ 38,915	
School Breakfast Program - Especially Needy	10.553	13526	1,581,688	
National School Lunch Program	10.555	13523	5,517,553	
USDA Donated Foods	10.555	N/A	734,106	
Summer Food Service Program Operations	10.559	13004	257,788	
Total Child Nutrition Cluster				$ 8,130,050
Child and Adult Care Food Program	10.558	13393		873,283
NSLP Equipment Assistance Grants	10.579	14906		40,000
Total U.S. Department of Agriculture				9,043,333
U.S. Department of Defense:				
J.R.O.T.C.	12.357	N/A		456,926
U.S. Department of Labor:				
Passed through Eastbay Works:				
Workforce Investment Act From Other Agencies	17.259	N/A		3,597
U.S. Department of Education:				
Elementary and Secondary School Counseling	84.215E	N/A		107,842
Passed through California Dept. of Education (CDE):				
Adult Education: Adult Basic Education and ESL	84.002A	14508	347,681	
Adult Education: Adult Secondary Education	84.002	13978	171,461	
Adult Education: English Literacy and Civics Education	84.002A	14109	117,006	
Total Adult Education - State Grants Cluster				636,148
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		5,708,862
Title I, Part G, Advanced Placement Test Reimbursement Program	84.330B	14831		23,560
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		956,392
English Language Acquisition Grants Cluster:				
Title III, Limited English Proficiency	84.365	14346	839,852	
Title III, Immigrant Education	84.365	15146	65,286	
Total English Language Acquisition Grants Cluster				905,138
Carl D. Perkins Career and Technical Education: Secondary, Sec. 131	84.048	14894	223,781	
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893	26,099	
Total Career and Technical Education - Basic Grants to States Cluster				249,880
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	6,227,535	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	73,981	
Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	845,604	
Preschool Grants, Part B, Sec 619	84.173	13430	230,499	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	546,178	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	357,120	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	317	
Alternate Dispute Resolution	84.173A	13007	21,097	
Total Special Education (IDEA) Cluster				8,302,331
IDEA Early Intervention Grants, Part C	84.181	23761		161,463
Total U.S. Department of Education				17,051,616
U.S. Department of Health & Human Services:				
Passed through Contra Costa County Employment & Human Services Dept.				
Early Head Start	93.600	38-928-05		14,000
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013	649,279	
Medi-Cal Administrative Activities (MAA)	93.778	10060	5,226	
Total Medicaid Cluster				654,505
Total U.S. Department of Health & Human Services				668,505
Corporation for National and Community Service:				
CalSERVES After School Program	94.006	N/A		61,993
Total Expenditures of Federal Awards				$ 27,285,970

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Total Non-Major Governmental Funds
ASSETS							
Cash	$ 470,790	$ 2,963,967	$ (7)	$ 7,422,493	$ 695,240	$ 352,341	$ 11,904,824
Investments	629,243	717,797	-	1,232,158	1,184,778	-	3,763,976
Accounts receivable	755,365	1,365,496	7	8,798	3,379	74	2,133,119
Inventories	-	32,796	-	-	-	-	32,796
Total Assets	$ 1,855,398	$ 5,080,056	$ -	$ 8,663,449	$ 1,883,397	$ 352,415	$ 17,834,715
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 67,689	$ 360,122	$ -	$ 70,864	$ 6,402	$ 4,040	$ 509,117
Due to other funds	-	53,650	-	-	-	-	53,650
Unearned revenue	-	50,400	-	-	-	-	50,400
Total Liabilities	67,689	464,172	-	70,864	6,402	4,040	613,167
Fund Balances							
Nonspendable	-	32,796	-	-	-	-	32,796
Restricted	44,201	4,583,088	-	8,592,585	1,876,995	348,375	15,445,244
Committed	1,743,508	-	-	-	-	-	1,743,508
Total Fund Balances	1,787,709	4,615,884	-	8,592,585	1,876,995	348,375	17,221,548
Total Liabilities and Fund Balances	$ 1,855,398	$ 5,080,056	$ -	$ 8,663,449	$ 1,883,397	$ 352,415	$ 17,834,715

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County Schools Facilities Fund	Capital Projects Fund for Blended Component Units	Total Non-Major Governmental Funds
REVENUES							
Federal sources	$ 852,830	$ 9,043,333	$ -	$ -	$ -	$ -	$ 9,896,163
Other state sources	3,836,763	548,034	-	-	-	-	4,384,797
Other local sources	1,657,059	2,954,360	84	2,074,011	17,637	813,207	7,516,358
Total Revenues	6,346,652	12,545,727	84	2,074,011	17,637	813,207	21,797,318
EXPENDITURES							
Current:							
Instruction	3,780,961	-	-	-	-	-	3,780,961
Instruction-related services:							
Supervision of instruction	350,366	-	-	-	-	-	350,366
Instructional library, media and technology	111,035	-	-	-	-	-	111,035
School site administration	1,886,765	-	-	-	-	-	1,886,765
Pupil Support Services:							
Food services	-	11,595,384	-	-	-	-	11,595,384
All other pupil services	42,708	-	-	-	-	-	42,708
Community services	88	-	-	-	-	-	88
General Administration Services:							
Other general administration	-	-	-	26,752	-	-	26,752
Plant services	28,890	-	8,473	-	-	1,250,926	1,288,289
Transfers of indirect costs	165,413	371,375	-	-	-	-	536,788
Capital outlay	-	-	-	381,948	327,354	1,076	710,378
Debt service:							
Principal	-	-	-	119,078	-	-	119,078
Total Expenditures	6,366,226	11,966,759	8,473	527,778	327,354	1,252,002	20,448,592
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,574)	578,968	(8,389)	1,546,233	(309,717)	(438,795)	1,348,726
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	83,502	-	-	-	-	-	83,502
Net Change in Fund Balances	63,928	578,968	(8,389)	1,546,233	(309,717)	(438,795)	1,432,228
Fund Balances, July 1, 2016	1,723,781	4,036,916	8,389	7,046,352	2,186,712	787,170	15,789,320
Fund Balances, June 30, 2017	$ 1,787,709	$ 4,615,884	$ -	$ 8,592,585	$ 1,876,995	$ 348,375	$ 17,221,548

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met 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.

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.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2017.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 29,439,752
Differences between Federal Revenues and Expenditures:		
Qualified School Construction Bonds - Interest Subsidy	Not applicable	(1,883,850)
Medi-Cal Billing Option	93.778	165,844
Medi-Cal Administrative Activities	93.778	(438,626)
Adult Education Workforce Innovation and Opportunity Act	84.002	2,850
Total Schedule of Expenditures of Federal Awards		$ 27,285,970

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Combining Financial Statements
These financial statements report the financial activity of the individual non-major funds.

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Other Independent Auditors' Reports

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

Board of Education
Mount Diablo Unified School District
Concord, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Diablo Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Mount Diablo Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Mount Diablo Unified School District's internal control over financial reporting (internal control) 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 the Mount Diablo Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mount Diablo Unified School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding(s) 2017-002 and 2017-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2017-001 to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Diablo Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-004.

Mount Diablo Unified School District's Responses to Findings

Mount Diablo Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Mount Diablo Unified School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Nigro & Nigro, PC

Murrieta, California
December 15, 2017

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Mount Diablo Unified School District
Concord, California

Report on State Compliance
We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the *2016-17 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 Mount Diablo Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2017.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Mount Diablo Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Mount Diablo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Mount Diablo Unified School District's compliance.

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs
In our opinion, Mount Diablo Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Other Matter(s)
The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-004. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding
Mount Diablo Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mount Diablo Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro & Nigro, PC

Murrieta, California
December 15, 2017

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

Board of Education
Mount Diablo Unified School District
Concord, California

Report on Compliance for Each Major Federal Program
We have audited Mount Diablo Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Mount Diablo Unified School District's major federal programs for the year ended June 30, 2017. Mount Diablo Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Mount Diablo Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Diablo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, Mount Diablo Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE
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Report on Internal Control Over Compliance

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

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

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

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

Nigro & Nigro, PC

Murrieta, California
December 15, 2017

Findings and Questioned Costs

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516?	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.365	English Language Acquisition Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 818,579
Auditee qualified as low-risk auditee?	Yes

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding 2017-001: Associated Student Body (ASB) Controls (30000)

Finding: During our review of the ASB controls at the school sites, we noted several internal control weaknesses, as follows:

1. ASB bookkeepers are signers on bank accounts at several schools. Good internal controls include segregating duties according to employees' duties so that one person is not handling a transaction from beginning to end.

2. In our test of cash disbursements, we noted that disbursements selected in our samples were not approved by the District representative, the ASB advisor, and/or the student representative, until after the expense had already been incurred, or in some cases, not at all.

3. In our test of cash disbursements, we noted that several disbursements lacked adequate supporting documentation.

4. Evidence of receipt of goods or services was not consistently noted prior to disbursement. This is important to do, as it ensures payment is not being made for items received incorrectly or not at all.

5. During our testing we noted several of the cash receipts reviewed did not have a revenue potential prepared. It is important for student organizations to have adequate internal controls over their fundraising events, properly evaluate the effectiveness of those events, and account for a fundraiser's financial activity.

6. We found deposits tested lacked sufficient supporting documentation. Without complete supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB accounts.

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Associated Student Body (ASB) Controls (30000) (continued)

7. At Concord High School we noted that the ASB does not turn in supporting documentation for cash collected at any event. During our interview with the ASB treasurer we also discovered that the safe has occasionally been left open, unsupervised, with cash exposed. Without proper controls over the safe, cash awaiting deposit is vulnerable to theft.
8. At Mt. Diablo High, we noted that deposits are not made in a timely manner. During our interview with the ASB bookkeeper we discovered that the school has a policy of making deposits once per month or when the cash on-hand is greater than $1,000.
9. At Ygnacio Valley High, there is no chain of custody for cash receipts that take place after hours. Once an event is done, a student or advisor may take the cash home overnight. There is no record of who has the cash and no way of holding anyone accountable if the cash goes missing.

Recommendations: We recommend the following:

1. We recommend that the bookkeeper be removed as a signer. A critical part of a system of checks and balances is that those who record the transaction should be separate from those who authorize the transaction.
2. Education Code Section 48933(b) requires all disbursements from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.
3. We recommend the sites retain original, unaltered receipts or invoices for purchases and reimbursements are clearly identified so that the disbursement of student funds is clearly traceable.
4. We recommend that after verifying the contents received that an "O.K. to pay" or "received" marking be indicated and retained.
5. Revenue potentials are used as a budgeting and planning tool. The form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income. We recommend that revenue potentials be prepared for all major fund-raising activities.
6. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific event from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures, such as ticket logs, tally sheets, prenumbered cash receipts, or cash register receipts, should be established that will allow for the reconciliation between money collected and event sales.

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Associated Student Body (ASB) Controls (30000) (continued)

7. We recommend that both the Treasurer and the Activities Director be reminded of the importance of establishing controls over cash collection at the point-of-sale. We further recommend that the school act immediately to ensure that all applicable employees are aware of the proper procedures to ensure that the safe is supervised when opened, and locked at all other times.
8. We recommend that deposits be made on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because many thefts can occur during these times.
9. We recommend that any revenue earned after hours be locked in a safe or other secure facility until it can be brought to the bookkeeper the morning of the next school day.

Views of Responsible Officials: The District hired an Internal Auditor and he prepared an ASB advisor manual, updated necessary procedures and forms, and distributed it to all schools. The Internal Auditor visited all the school sites, and trained office managers and treasurers on proper procedures, authorization and supporting documents. An ASB Workshop was also held on Oct. 23, 2017 for all principals, vice principals, ASB advisors, office managers and/or treasurers. Procedures are now in place districtwide to address all of the recommendations.

Finding 2017-002: Capital Asset Accounting (20000)

Finding: The District was unable to provide supporting schedules for any capital assets acquired prior to the 2013-14 fiscal year, including a current listing of what comprises Construction in Progress. Our audit was able to determine that the current year expenditures were for proper capital costs, but we were unable to substantiate the balance of the capital asset classes prior to the 2013-14 fiscal year. Capital assets represent one of the largest investments of the District; control and accountability are of significant concern. Generally accepted accounting principles (GAAP) and Education Code Section 35168 require the District to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.

The District tracks capital asset additions throughout the year by reconciling to the general ledger; however, there is no detailed listing of capital assets and disposals of assets are not tracked. Depreciation expense was estimated as a percentage of the related asset rather than being charged to specific assets. As a result, it is possible that the capital assets are overstated, but it is also likely that the accumulated depreciation is also overstated, resulting in no material net change to the District's net position on the government-wide financial statements.

The lack of accounting records could lead to the material misstatement of the financial statements of the District. Our audit procedures were expanded significantly to allow us to obtain sufficient audit evidence to determine that the account balances were not materially misstated.

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-002: Capital Asset Accounting (20000) (continued)

Recommendation: We recommend that the District compile an up-to-date capital asset listing and investigate the utility in implementing a capital asset system to track the District's capital assets. Other options include the hiring of additional accounting department staff and the hiring of an outside consultant to assist in this process.

Views of Responsible Officials: The District has now implemented processes to account for fixed assets and prepare a fixed asset schedule. The Fiscal Department is both maintaining asset records and working closely with the facilities department to reconcile the status of projects from "work in progress" to completion. This will provide the Fiscal Department with the information needed to maintain a fixed asset schedule along with the supporting documentation. To further confirm that the District's fixed asset schedule complies with GAAP, staff will consult with auditors prior to the audit commencing. However, the District does safeguard all assets and has the records to support asset purchases. Due to vacancies in key positions, the District did not have sufficient staff to maintain and prepare the fixed asset schedule.

Finding 2017-003: Cafeteria Fund Accounting – Internal Controls (30000)

Finding: Our testing of the Cafeteria Fund identified certain problems with accounting procedures over the fund.

1. The District did not recognize revenue for the Seamless Summer Food Program. Our audit was able to determine that this resulted in an understatement of cafeteria revenue, accounts receivable, and cash.
2. The cash received in April for federal meal reimbursements was inadvertently recorded as a transfer from a local checking account to the cash-in-county account as opposed to a reduction in accounts receivable. For that reason, the checking account was understated and the accounts receivable was overstated.

3. The District neglected to complete bank reconciliations for April, May, and June. The completion of this reconciliation would have resulted in the district realizing that the general ledger account was understated.

Recommendations: We recommend that the District designate an employee that is designated to the cafeteria to ensure that entries are made correctly, all revenue is recognized, and the bank statement is reconciled monthly.

Views of Responsible Officials: We concur with the findings. All bank reconciliations are currently up to date. The district established and filled a full-time Food Services Fiscal Analyst I position to assist with the accounting and reporting of the Cafeteria Funds.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2016-17.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2017-004: After School Education and Safety Program (40000)

Criteria: The After School Education and Safety Program (ASES) was established to serve pupils in kindergarten through grade nine. In accordance with Education Code Section 8483 (a)(1), there are stringent regulations in operating and reporting attendance for the program.

Condition: During review of the attendance monthly summaries, it was determined that the attendance reported in the first Semi-Annual report was understated.

Context: In reviewing the monthly summaries, we noted that each of the three sites tested; Bel Air Elementary, Meadow Homes Elementary, and Shore Acres Elementary, were each undererereported for a total of 2,618 attendance days.

Questioned Cost: None, the attendance was under-reported.

Cause: The attendance data was not entered into the Semi-Annual report correctly.

Effect: There is no financial effect on the District from this finding.

Recommendation: The data submitted in the Semi-Annual report should be reconciled to the attendance summaries to ensure accuracy prior to submission.

Views of Responsible Officials: The CARES After School Staff will review attendance for Bel Air, Meadow Homes and Shore Acres Elementary after school sites and submit a revised Semi-Annual report to CDE by December 31, 2017. Mt. Diablo Unified School District received the full grant award amount for the ASES grant for these three schools thus no loss of funding occurred due to this error. Staff will work on training school-based CARES After School Staff on recording and monitoring attendance and Recreation Managers will conduct monthly attendance checks.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2016-001: Associated Student Body (ASB) Oversight	During our review of the ASB oversight procedures at the District Office, we discovered that there is currently no review process of ASB accounting due to the elimination of a position several years ago. The District Office requests bank statements from the ASBs on a monthly basis, but does not review the statements or reconciliations. Furthermore, the District Office does not require financial statements to be submitted to the District Office. Due to this lack of oversight, the District is unable to determine if all ASB accounts have been properly reported. There is a risk that ASB accounts could be misstated and that this misstatement would go undetected by the District Office.	30000	We recommend that the District establish an employee in the Business Office to be responsible for the oversight of the ASB accounts. This position should review bank statements and reconciliations on a monthly basis. Additionally, income and loss statements and balance sheets should be reviewed on a quarterly basis, at a minimum.	Implemented.
Finding 2016-002: Associated Student Body (ASB) Controls	During our review of the ASB controls at the school sites, we noted the following:	30000	We recommend the following:	
	1. ASB bookkeepers are signers on bank accounts at several schools.		1. Those who record the transaction should be separate from those who authorize and execute the transaction. We therefore recommend that the bookkeepers be removed as authorized signers on the ASB bank accounts. Instead, they should be given "view only" authority.	Not Implemented. See Finding 2017-001.
	2. Cash and pre-numbered receipts books were not properly safeguarded. Cash deposits were not made in a timely manner.		2. We recommend that the site keep cash and receipts book in a locked safe and minimize who has access to ensure that student assets are properly safeguarded. At events, the cash box is not supervised and monitored, leaving it vulnerable to theft. We recommend the cash box is supervised to mitigate this risk.	Not Implemented. See Finding 2017-001.
	3. Disbursements were not approved by the District representative, ASB and/or student representative, prior to incurring the expense.		3. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. We recommend that the site adopt a procedure for compliance with the Education Code in obtaining the required approvals.	Not Implemented. See Finding 2017-001.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2016-002: Associated Student Body (ASB) Controls (continued)	4. Cash disbursement documentation was insufficient.		4. We recommend the site retain original, unaltered receipts or invoices for purchases and reimbursements are clearly identified so that the disbursement of student funds is clearly traceable.	Not Implemented. See Finding 2017-001.
	5. Evidence of receipt of goods or services was not consistently noted prior to disbursement.		5. We recommend that the site document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing "ok to pay" or "received" and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.	Not Implemented. See Finding 2017-001.
	6. ASB funds were spent on District staff expenses and used as donations to charitable organizations inappropriately.		6. All ASB disbursements should be only for the general welfare of the students and should not be for the benefit of staff. Further, donations to charitable organizations generally are not allowable because they are considered a gift of public funds, no matter how worthy the cause. ASB funds are legally considered public funds because they are raised through the District's tax identification number and under its nontaxable status. However, a student group may organizer a fund-raiser to support a charity as long as the event is clearly identified as raising funds to donate to that charity. All donations should be in the form of checks made payable to the charity and should be picked up or delivered to the charity. If it is not possible to have the checks made directly to the outside organization, open an account within the ASB specifically for these donations, then write a check to the organization and close the account when the fund-raiser is over.	Implemented.
	7. The ASB fund was used as a pass-through account for collecting textbook fees on behalf of the District.		7. ASB accounts are not and should not be used as pass-through or clearing accounts for District funds. Accepting the District funds in the ASB account is considered commingling of funds. We recommend the sites forward all District funds to the District Office for receipt or open a separate clearing account for funds to be transferred to the District on a monthly basis.	Implemented.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2016-002: Associated Student Body (ASB) Controls (continued)	8. Revenue potentials were not prepared for fundraising events.		8. It is important for student organizations to have adequate internal controls over their fundraising events, properly evaluate the effectiveness of those events, and account for a fundraiser's financial activity. Revenue potentials are used as a budgeting and planning tool. The form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income. We recommend that revenue potentials be prepared for all major fundraising activities.	Not Implemented. See Finding 2017-001.
	9. Cash receipting documentation was insufficient or did not agree to the amounts deposits.		9. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.	Not Implemented. See Finding 2017-001.
	10. Bank reconciliations were not prepared or reviewed in a timely manner or were not prepared at all.		10. Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or ASB Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed. Review of the bank reconciliations by someone other than the ASB Bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.	Implemented.
	11. At Ygnacio Valley High School, based on our interviews with site personnel, we noted a lack of control implementation over record-keeping, receipting and reconciliations. We noted the following concerns: ❖ Students could pick up items more than once without paying, as there was no process in place to "cancel" receipts after pick up. ❖ Vending machine sales are controlled by one teacher who took the cash and did not turn in these funds. ❖ Ticket inventory forms are not used to support gate receipts.		11. We recommend the site improve controls by having students initial items as received, requiring double counts of cash collected and reconciling vending machine or ticket inventory against cash received. This will help ensure all cash deposited can be traced from the point of collection to create a clear audit trail.	Partially Implemented. See Finding 2017-001.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2016-002: Associated Student Body (ASB) Controls (continued)	12. At Northgate High School, we noted cash shortages/overages are not investigated at athletic events, dances and drama productions.		12. We recommend the site investigate such occurrences and put controls in place such as pre-numbered tickets which are then reconciled against cash collected, double counting cash and signing off on the count.	Not Implemented.
Finding 2016-003: Year-End Closing	During our review of controls over financial closing, we noted the following: 1. The District was unable to provide adequate supporting documentation for several account balances including evidence to support some balances in accounts payable in the General Fund. 2. Bank balances were not correctly reconciled to an imprest amount at many sites. The Cafeteria bank account had not been reconciled consistently. 3. The District was unable to provide supporting schedules for any capital assets acquired prior to the 2013-14 fiscal year including a current listing of what comprises Work in Progress. Our audit was able to determine that the current year expenditures were for proper capital costs, but we were unable to substantiate the balance of the capital asset classes prior to the 2013-14 fiscal year. Capital assets represent one of the largest investments of the District; control and accountability are of significant concern. Generally accepted accounting principles (GAAP) and Education Code Section 35168 require the District to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.	30000	We recommend that adequate supporting documentation be maintained for all transactions and account balances. The District should investigate the need for additional staffing in the Business office. The District should also review the need for several bank accounts for each site and consider closing accounts in order to keep better control over the activity in each account. Additionally, we recommend that the District compile an up-to-date capital asset listing and investigate the utility in implementing a capital asset system to track the District's capital assets.	Partially Implemented. See Finding 2017-002.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2016-003: Year-End Closing (continued)	The lack of accounting records could lead to the material misstatement of the financial statements of the District. Our audit procedures were expanded significantly to allow us to obtain sufficient audit evidence to determine that the account balances were not materially misstated.			
Finding 2016-004: Cafeteria Fund Cash Reserves	The school food authority should limit its net cash resources to an amount that does not exceed three months average expenditures in accordance with 7 CFR Section 210.14(b). At June 30, 2017, fund balance in the Cafeteria Fund was $4,036,916, which exceeds the average of three months expenditures by $129,960. In the prior year, the District was in compliance with this requirement.	50000	We recommend the District create and submit a spending plan to the CDE.	Implemented.