

**MOUNT DIABLO UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016**



MOUNT DIABLO UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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MOUNT DIABLO UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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Financial Section

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *2015-16 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, 2016, 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.

Other Matters

Required Supplementary Information

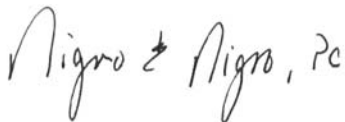
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 45, schedule of funding progress on page 46, schedule of proportionate share of the net pension liability on page 47, and schedule of contributions on page 48 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 52 to 54 and the schedule of expenditures of federal awards on page 57 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 51 and 55 have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, 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.



Murrieta, California
December 14, 2016

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2016

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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$12.3 million, or 19.7%.
- Governmental expenses were about \$383.8 million. Revenues were about \$396.1 million.
- The District acquired \$18.1 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 \$89.8 million. This was primarily due to increased pension liabilities and the issuance of Series F of Measure C.
- Grades K-12 average daily attendance (ADA) increased by 90, or 0.3%.

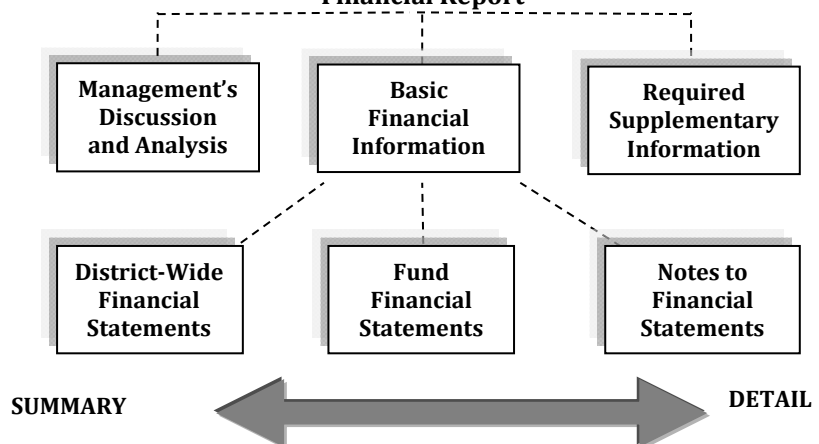
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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

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.



MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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 higher on June 30, 2016, than it was the year before – increasing 19.7% to \$(50.2) million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2016	2015	
Current assets	\$ 218.9	\$ 166.2	\$ 52.7
Capital assets	559.8	563.1	(3.3)
Total assets	778.7	729.3	49.4
Total deferred outflows	54.3	27.1	27.2
Current liabilities	39.1	43.2	(4.1)
Long-term liabilities	809.4	719.6	89.8
Total liabilities	848.5	762.8	85.7
Total deferred inflows	34.7	56.1	(21.4)
Net position			
Net investment in capital assets	117.6	141.2	(23.6)
Restricted	60.0	47.8	12.2
Unrestricted	(227.8)	(251.5)	23.7
Total net position	\$ (50.2)	\$ (62.5)	\$ 12.3

Changes in net position, governmental activities. The District's total revenues increased 14.5% to \$396.1 million (See Table A-2). The increase is due primarily to increases in state aid.

The total cost of all programs and services increased 7.7% to \$383.8 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 3.4% of total costs. A significant contributor to the increase in costs was negotiated salary and benefit increases.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2016	2015	
Total Revenues	\$ 396.1	\$ 345.9	\$ 50.2
Total Expenses	383.8	356.2	27.6
Increase (decrease) in net position	\$ 12.3	\$ (10.3)	\$ 22.6

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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 \$188.0 million, which is above last year's ending fund balance of \$129.6 million. The primary cause of the increased fund balance is higher balances in the General Fund from state aid and in the Building Fund from sale and issuance of general obligation bonds.

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 \$32.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$18.4 million due to collective bargaining agreements.
- Other non-personnel expenditures – increased \$66.4 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 \$41.0 million, the actual results for the year show that revenues exceeded expenditures by roughly \$22.8 million. Actual revenues were \$7.1 million less than anticipated, and expenditures were \$70.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2016, that will be carried over into the 2016-17 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$18.1 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 \$21.4 million.

Table A-3: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2016	2015	
Land	\$ 14.4	\$ 14.4	\$ -
Improvement of sites	99.4	92.5	6.9
Buildings	334.4	345.6	(11.2)
Equipment	4.5	3.3	1.2
Construction in progress	107.1	107.3	(0.2)
Total	\$ 559.8	\$ 563.1	\$ (3.3)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$809.4 million in long-term debt – an increase of 12.5% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	(In millions)		Increase
	2016	2015	(Decrease)
General obligation bonds	\$ 500.0	\$ 466.5	\$ 33.5
Construction loan	4.3	4.5	(0.2)
Capital leases	2.2	1.2	1.0
Compensated absences	3.0	3.2	(0.2)
Net pension liability	255.5	206.5	49.0
Other postemployment benefits	44.4	37.7	6.7
Total	\$ 809.4	\$ 719.6	\$ 89.8

FACTORS BEARING ON THE DISTRICT'S FUTURE

Evolution of the Budget

The Legislature passed the final budget package on June 15, 2016. Total reserves in the final budget package were lower by only \$36 million compared to the Governor's proposal in May. Various choices were made to shift spending priorities compared to the Governor's proposal. Budget savings resulted from (1) reduced spending on state office buildings, (2) shifting funding for the construction of local jails from General Fund to bond funds, and (3) reduced retiree health spending due to lower than expected healthcare costs. Correspondingly, the final budget deal reflected higher spending for affordable housing programs, repealing the MFG policy, and various public safety programs.

The Governor signed the *2016-17 Budget Act* and 14 budget-related bills on June 27, 2016 and July 1, 2016. The Governor did not veto any appropriations.

Proposition 98

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. Below, we provide an overview of Proposition 98 funding and spending changes under the enacted budget package. We then highlight Proposition 98 spending changes specifically for K-12 education.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Minimum Guarantee

Proposition 98 Funding Revised Upward Across Three-Year Period

Proposition 98 establishes a minimum funding requirement commonly called the minimum guarantee. Compared with the estimates from June 2015, the 2014-15 and 2015-16 guarantees have increased by \$843 million and \$641 million, respectively. These upward revisions are due primarily to increases in state revenue relative to the amounts assumed in last year's budget package. The estimate of the 2016-17 minimum guarantee is \$3.5 billion (5.1 percent) higher than the *2015-16 Budget Act* level.

Two Key Drivers of Increase in 2016-17

Total funding for all segments in 2016-17 is \$71.9 billion, a \$2.8 billion (4.1 percent) increase above the revised 2015-16 level. This change in the guarantee reflects 3.6 percent growth in the "Test 3 factor" combined with a supplemental appropriation of \$502 million. The Test 3 factor consists of 3.1 percent growth in per capita General Fund plus an additional 0.5 percent increase set forth in the State Constitution. The supplemental appropriation ensures that the minimum guarantee grows at least as quickly as the rest of the state budget.

Increase Covered About Evenly From Higher State General Fund and Local Property Tax Revenue

Of total Proposition 98 funding in 2016-17, \$51.1 billion is state General Fund and \$20.8 billion is local property tax revenue. From 2015-16 to 2016-17, state General Fund increases by \$1.3 billion (accounting for slightly less than half of the \$2.8 billion increase in the guarantee) and local property tax revenue increases by \$1.5 billion (accounting for slightly more than half of the increase in the guarantee). The primary factor explaining the growth in property tax revenue is the strong 6.2 percent increase in assessed property values. In addition, the budget plan assumes property tax revenue increases by \$419 million due to the triple flip ending, thereby completing the shift of revenue from cities, counties, and special districts to school districts and community colleges.

New Maintenance Factor Created in 2016-17

In 2014-15, General Fund tax revenue increased by 11 percent over the prior-year level, resulting in a maintenance factor payment of \$5.7 billion—the largest payment the state has ever made. In 2015-16, the budget assumes the state makes an additional maintenance factor payment of \$379 million, reducing the total outstanding obligation to \$155 million. In 2016-17, the budget assumes the state creates \$746 million in new maintenance factor. The amount of new maintenance factor created is based on the difference between the Proposition 98 Test 2 and Test 3 factors. In 2016-17, growth in the Test 2 factor (per capita personal income) is strong (5.4 percent) relative to growth in the Test 3 factor (3.6 percent).

K-12 Education

\$63.3 Billion Proposition 98 Funding for K-12 Education and Preschool Combined

This 2016-17 level is \$2.5 billion (4.1 percent) more than revised 2015-16 funding and \$3.7 billion (6.3 percent) more than the *2015-16 Budget Act* level. The budget increases funding per student by \$440 (4.3 percent) over the *2015-16 Budget Act* level, bringing Proposition 98 funding per student up to \$10,657.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

New Spending

Large Increase for LCFF

The \$2.9 billion augmentation brings total funding for implementing LCFF for school districts and charter schools up to \$55.8 billion, a 5.7 percent increase over the revised 2015-16 level. The administration estimates this funding will close 54 percent of the gap between current funding levels and LCFF target rates, bringing LCFF to 96 percent of its full implementation cost. School districts and charter schools may use LCFF monies for any educational purpose.

Significant Discretionary One-Time Funding

The largest one-time augmentation for K-12 education is \$1.3 billion that LEAs may use for any locally determined purpose. Funding would be distributed based on average daily attendance. If an LEA has unpaid mandate claims, funding would pay all or a portion of those claims. As many LEAs do not have any unpaid claims, we estimate only about half (\$617 million) of the funding provided would reduce the K-12 mandates backlog. We estimate the outstanding K-12 mandates backlog will be \$987 million at the end of 2016-17.

All of these factors were considered in preparing the Mount Diablo Unified School District budget for the 2016-17 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2016*

	Total Governmental Activities
ASSETS	
Cash	\$ 200,426,926
Investments	5,229,942
Accounts receivable	12,775,827
Inventories	512,409
Non-depreciable capital assets	121,582,733
Depreciable capital assets	714,008,178
Less, accumulated depreciation	<u>(275,808,336)</u>
Total assets	<u>778,727,679</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	44,864,317
Deferred amounts on refunding	<u>9,418,543</u>
Total deferred outflows of resources	<u>54,282,860</u>
LIABILITIES	
Accounts payable	37,812,767
Unearned revenue	1,301,481
Long term liabilities:	
Due or payable within one year	21,006,240
Due or payable after one year	<u>788,375,245</u>
Total liabilities	<u>848,495,733</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>34,741,400</u>
NET POSITION	
Net investment in capital assets	117,642,121
Restricted for:	
Capital projects	9,233,064
Debt service	31,903,286
Categorical programs	18,824,037
Unrestricted	<u>(227,829,102)</u>
Total net position	<u>\$ (50,226,594)</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Instructional Services:					
Instruction	\$ 212,168,299	\$ 77,241	\$ 42,497,377	\$ 1,982	\$ (169,591,699)
Instruction-Related Services:					
Supervision of instruction	14,498,203	2,671	6,347,274	-	(8,148,258)
Instructional library, media and technology	3,485,018	6,863	397,324	-	(3,080,831)
School site administration	24,818,093	2,047	2,830,840	-	(21,985,206)
Pupil Support Services:					
Home-to-school transportation	9,464,486	10	598,631	-	(8,865,845)
Food services	11,442,398	2,849,542	9,487,732	-	894,876
All other pupil services	19,719,335	50,205	6,165,735	-	(13,503,395)
General Administration Services:					
Data processing services	3,447,536	7,705	191,845	-	(3,247,986)
Other general administration	9,790,664	112,745	1,915,623	-	(7,762,296)
Plant Services	48,205,207	301,191	4,726,946	-	(43,177,070)
Ancillary Services	1,683,698	29,661	467,683	-	(1,186,354)
Community Services	32,049	202	3,240	-	(28,607)
Enterprise Activities	18	-	-	-	(18)
Transfers between agencies	2,265,377	-	-	-	(2,265,377)
Interest on Long-term Debt	22,387,324	-	-	-	(22,387,324)
Other Outgo	436,750	9,248	781,219	-	353,717
Total Governmental Activities	\$ 383,844,455	\$ 3,449,331	\$ 76,411,469	\$ 1,982	(303,981,673)
General Revenues:					
Property taxes					152,776,041
Federal and state aid not restricted to specific purpose					152,052,573
Interest and investment earnings					775,097
Miscellaneous					10,626,384
Total general revenues					316,230,095
Change in net position					12,248,422
Net position - July 1, 2015					(62,475,016)
Net position - June 30, 2016					\$ (50,226,594)

MOUNT DIABLO UNIFIED SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2016*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 113,566,002	\$ 44,667,199	\$ 31,879,243	\$ 10,314,482	\$ 200,426,926
Investments	1,490,319	-	-	3,739,623	5,229,942
Accounts receivable	9,576,249	47,993	24,043	2,163,963	11,812,248
Due from other funds	-	158,172	-	1,715	159,887
Inventories	482,332	-	-	30,077	512,409
Total Assets	<u>\$ 125,114,902</u>	<u>\$ 44,873,364</u>	<u>\$ 31,903,286</u>	<u>\$ 16,249,860</u>	<u>\$ 218,141,412</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 27,876,829	\$ 398,075	\$ -	\$ 424,540	\$ 28,699,444
Due to other funds	159,887	-	-	-	159,887
Unearned revenue	1,265,481	-	-	36,000	1,301,481
Total Liabilities	<u>29,302,197</u>	<u>398,075</u>	<u>-</u>	<u>460,540</u>	<u>30,160,812</u>
Fund Balances					
Nonspendable	783,333	-	-	30,076	813,409
Restricted	14,562,188	44,475,289	31,903,286	14,252,007	105,192,770
Committed	-	-	-	1,507,237	1,507,237
Assigned	37,149,321	-	-	-	37,149,321
Unassigned	43,317,863	-	-	-	43,317,863
Total Fund Balances	<u>95,812,705</u>	<u>44,475,289</u>	<u>31,903,286</u>	<u>15,789,320</u>	<u>187,980,600</u>
Total Liabilities and Fund Balances	<u>\$ 125,114,902</u>	<u>\$ 44,873,364</u>	<u>\$ 31,903,286</u>	<u>\$ 16,249,860</u>	<u>\$ 218,141,412</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

Total fund balances - governmental funds		\$ 187,980,600
Amounts reported for governmental <i>activities</i> 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 \$835,590,911, and the accumulated depreciation is (\$275,808,336).		559,782,575
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:		(44,387,681)
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	(499,972,231)
	Construction loan payable	(4,326,049)
	Capital leases payable	(2,220,206)
	Net pension liability	(255,536,539)
	Compensated absences payable	(2,938,779)
		(764,993,804)
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:		9,418,543
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.		963,579
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	44,864,317
	Deferred inflows	(34,741,400)
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:		<u>(9,113,323)</u>
Total net position - governmental activities		<u>\$ (50,226,594)</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 247,515,952	\$ -	\$ -	\$ -	\$ 247,515,952
Federal sources	18,812,814	-	1,955,508	10,105,604	30,873,926
Other state sources	60,472,797	-	261,641	4,137,668	64,872,106
Other local sources	15,595,238	297,389	30,327,991	6,206,259	52,426,877
Total Revenues	342,396,801	297,389	32,545,140	20,449,531	395,688,861
EXPENDITURES					
Current:					
Instruction	204,257,001	-	-	3,568,744	207,825,745
Instruction-related services:					
Supervision of instruction	14,087,914	-	-	304,086	14,392,000
Instructional library, media and technology	3,265,545	-	-	98,660	3,364,205
School site administration	22,674,416	-	-	1,678,444	24,352,860
Pupil support services:					
Home-to-school transportation	9,629,157	-	-	-	9,629,157
Food services	11,567	-	-	11,308,666	11,320,233
All other pupil services	18,887,379	-	-	27,182	18,914,561
Ancillary services	1,687,970	-	-	-	1,687,970
Community services	10,277	-	-	-	10,277
Enterprise activities	18	-	-	-	18
General administration services:					
Data processing services	3,449,252	-	-	-	3,449,252
Other general administration	9,983,476	-	-	45,486	10,028,962
Plant services	24,986,421	-	-	1,894,999	26,881,420
Transfers of indirect costs	(586,877)	-	-	586,877	-
Intergovernmental transfers	2,265,377	-	-	-	2,265,377
Capital outlay	4,305,881	13,175,048	-	296,554	17,777,483
Debt service:					
Issuance costs	-	225,000	211,750	-	436,750
Principal	623,364	-	11,267,272	219,176	12,109,812
Interest	45,492	-	18,424,981	-	18,470,473
Total Expenditures	319,583,630	13,400,048	29,904,003	20,028,874	382,916,555
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	22,813,171	(13,102,659)	2,641,137	420,657	12,772,306
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	17,517	157,639	175,156
Interfund transfers out	(175,156)	-	-	-	(175,156)
Other financing sources	-	-	-	810,000	810,000
Proceeds from bond issuance	-	38,500,000	-	-	38,500,000
Premium on bond issuance	-	-	4,670,512	-	4,670,512
Proceeds from capital leases	1,653,289	-	-	-	1,653,289
Total Other Financing Sources and Uses	1,478,133	38,500,000	4,688,029	967,639	45,633,801
Net Change in Fund Balances	24,291,304	25,397,341	7,329,166	1,388,296	58,406,107
Fund Balances, July 1, 2015	71,521,401	19,077,948	24,574,120	14,401,024	129,574,493
Fund Balances, June 30, 2016	\$ 95,812,705	\$ 44,475,289	\$ 31,903,286	\$ 15,789,320	\$ 187,980,600

The notes to financial statements are an integral part of this statement.

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, 2016

Total net change in fund balances - governmental funds \$ 58,406,107

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	18,090,921	
Depreciation expense	<u>(21,381,767)</u>	(3,290,846)

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: (43,170,512)

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: 12,109,812

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: (6,735,938)

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: 2,395,543

In governmental funds, proceeds from capital leases are recognized as other financing sources. In the government-wide statements, proceeds from capital leases are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from capital leases for the period were: (1,653,289)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, was: (1,514,700)

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: (48,481)

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: (3,963,104)

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 employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 280,756

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). 298,817

Change in net position of governmental activities \$ 12,248,422

MOUNT DIABLO UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2016*

	Trust Fund	Agency Funds	
	Private-Purpose Trust Fund	Student Body Funds	Debt Service Fund for Special Assessment Debt
ASSETS			
Cash	\$ 6,273	\$ 1,231,768	\$ 23,682,273
Investments	49,000	-	7,163,823
Accounts receivable	6	-	1,902
Total Assets	<u>55,279</u>	<u>\$ 1,231,768</u>	<u>\$ 30,847,998</u>
LIABILITIES			
Accounts payable	1	\$ -	\$ -
Due to bondholders	-	-	30,847,998
Due to student groups	-	1,231,768	-
Total Liabilities	<u>1</u>	<u>\$ 1,231,768</u>	<u>\$ 30,847,998</u>
NET POSITION			
Restricted	<u>\$ 55,278</u>		

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Trust Fund
	<u>Private-Purpose Trust Fund</u>
ADDITIONS	
Interest	<u>\$ 405</u>
DEDUCTIONS	
Operating expenses	<u> 3</u>
Change in net position	402
Net position - July 1, 2015	<u>54,876</u>
Net position - June 30, 2016	<u><u>\$ 55,278</u></u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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 not 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 fixed assets are recorded at their estimated fair value at the date of donation. 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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 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. The second item is related to its pension plans as more fully described in the footnote entitled "Pension Plans".

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 is reported as deferred inflows of resources. This item recognizes 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. 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. 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.

9. 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Net Position (continued)

- **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.

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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2015-16 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 72, *Fair Value Measurement and Application (Issued 02/15)*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Issued 06/15)*

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

3. Statement No. 79, *Certain External Investment Pools and Pool Participants (Issued 12/15)*

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

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

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

	Rating	Governmental Funds/Activities	Fiduciary Funds
Pooled Funds:			
Cash in county treasury		\$ 199,586,387	\$ 142,744
Cash with fiscal agent		31,155	23,545,802
Deposits:			
Cash on hand and in banks		501,061	1,231,768
Cash collections awaiting deposit		7,323	-
Cash in revolving fund		301,000	-
Total Cash		<u>\$ 200,426,926</u>	<u>\$ 24,920,314</u>
Investments:			
Local Agency Investment Fund (LAIF)	Not rated	\$ 5,229,942	\$ 49,000
California Asset Management Program (CAMP)	Not rated	-	7,163,823
Total Investments		<u>\$ 5,229,942</u>	<u>\$ 7,212,823</u>

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, 2016, 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. 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits (continued)

As of June 30, 2016, \$1,204,767 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, 2016, consisted of the following:

	Fair value	Maturity	
		Less Than One Year	One Year Through Five Years
Local Agency Investment Fund (LAIF)	\$ 5,278,942	\$ 5,278,942	\$ -
CAMP Pool - Money Market	7,163,823	7,163,823	-
	<u>\$ 12,442,765</u>	<u>\$ 12,442,765</u>	<u>\$ -</u>

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, 2016, 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, 2016, the District had the following investment that represented more than five percent of the District's net investments.

Local Agency Investment Fund (LAIF)	42.4%
CAMP Pool - Money Market	57.6%

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Totals
Federal Government:					
Categorical aid programs	\$ 4,238,691	\$ -	\$ -	\$ 1,763,980	\$ 6,002,671
State Government:					
Lottery	1,361,650	-	-	-	1,361,650
Special education	501,462	-	-	-	501,462
Categorical aid programs	1,209,611	-	-	248,996	1,458,607
Local:					
Interest	75,529	47,993	24,043	11,759	159,324
Mental Health	735,414	-	-	-	735,414
Miscellaneous	1,453,892	-	-	139,228	1,593,120
Total	<u>\$ 9,576,249</u>	<u>\$ 47,993</u>	<u>\$ 24,043</u>	<u>\$ 2,163,963</u>	<u>\$ 11,812,248</u>

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2016, consisted of the following:

General Fund due to Cafeteria Fund for transportation charges	\$ 79
General Fund due to Deferred Maintenance Fund for interest	477
General Fund due to Building Fund to correct allocation	158,172
General Fund due to Capital Project Fund for Blended Component Units for interest	1,159
	<u>\$ 159,887</u>

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2016, consisted of the following:

General Fund transfer to Adult Education Fund for pass through grants	\$ 157,639
General Fund transfer to Bond Interest and Redemption Fund for interest	17,517
	<u>\$ 175,156</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 5 – FUND BALANCES

At June 30, 2016, 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	\$ 301,000	\$ -	\$ -	\$ -	\$ 301,000
Stores inventories	482,333	-	-	30,076	512,409
Total Nonspendable	783,333	-	-	30,076	813,409
Restricted:					
Categorical programs	14,562,188	-	-	224,933	14,787,121
Food service program	-	-	-	4,006,840	4,006,840
Capital projects	-	44,475,289	-	10,020,234	54,495,523
Debt service	-	-	31,903,286	-	31,903,286
Total Restricted	14,562,188	44,475,289	31,903,286	14,252,007	105,192,770
Committed:					
Adult education program	-	-	-	1,498,848	1,498,848
Deferred maintenance program	-	-	-	8,389	8,389
Total Committed	-	-	-	1,507,237	1,507,237
Assigned:					
Additional counselors	1,235,867	-	-	-	1,235,867
LCFF targeted supplemental reserve	21,404,848	-	-	-	21,404,848
School site carryover	3,008,606	-	-	-	3,008,606
Establish liability fund	1,500,000	-	-	-	1,500,000
General equipment replacement	850,000	-	-	-	850,000
Technology acquisition	2,500,000	-	-	-	2,500,000
Classroom furniture	2,000,000	-	-	-	2,000,000
Grounds improvement	2,000,000	-	-	-	2,000,000
Facilities improvement	1,000,000	-	-	-	1,000,000
District website redesign	50,000	-	-	-	50,000
Training staff development	100,000	-	-	-	100,000
Safety and security	500,000	-	-	-	500,000
Deferred maintenance	1,000,000	-	-	-	1,000,000
Total Assigned	37,149,321	-	-	-	37,149,321
Unassigned:					
Reserve for economic uncertainties	5,108,253	-	-	-	5,108,253
Remaining unassigned balances	38,209,610	-	-	-	38,209,610
Total Unassigned	43,317,863	-	-	-	43,317,863
Total	\$ 95,812,705	\$ 44,475,289	\$ 31,903,286	\$ 15,789,320	\$ 187,980,600

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2016

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2015	Additions	Deletions	Balance, June 30, 2016
Capital assets not being depreciated:				
Land	\$ 14,436,462	\$ -	\$ -	\$ 14,436,462
Construction in progress	107,299,339	1,936,528	2,089,596	107,146,271
Total capital assets not being depreciated	121,735,801	1,936,528	2,089,596	121,582,733
Capital assets being depreciated:				
Improvement of sites	106,400,718	10,729,030	-	117,129,748
Buildings	571,296,720	5,590,154	-	576,886,874
Equipment	18,066,751	1,924,805	-	19,991,556
Total capital assets being depreciated	695,764,189	18,243,989	-	714,008,178
Accumulated depreciation for:				
Improvement of sites	(13,906,139)	(3,851,150)	-	(17,757,289)
Buildings	(225,714,094)	(16,789,238)	-	(242,503,332)
Equipment	(14,806,336)	(741,379)	-	(15,547,715)
	(254,426,569)	(21,381,767)	-	(275,808,336)
Total capital assets being depreciated, net	441,337,620	(3,137,778)	-	438,199,842
Governmental activity capital assets, net	\$ 563,073,421	\$ (1,201,250)	\$ 2,089,596	\$ 559,782,575

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 10,445
Instructional Supervision	8,356
Pupil Services	513,101
All Other General Administration	81,974
Plant Services	20,767,891
Total	\$ 21,381,767

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 422,100,057	\$ 38,500,000	\$ 11,267,272	\$ 449,332,785	\$ 18,142,351
Accreted interest component	15,152,469	4,120,832	157,728	19,115,573	227,649
Unamortized issuance premium	29,248,904	4,670,512	2,395,543	31,523,873	2,395,543
Total - Bonds	466,501,430	47,291,344	13,820,543	499,972,231	20,765,543
Construction Loan	4,545,225	-	219,176	4,326,049	-
Capital Leases	1,190,281	1,653,289	623,364	2,220,206	240,697
Compensated Absences	3,237,596	-	298,817	2,938,779	-
Net pension liability	206,457,458	49,079,081	-	255,536,539	-
Other Postemployment Benefits	37,651,743	6,735,938	-	44,387,681	-
Totals	\$ 719,583,733	\$ 104,759,652	\$ 14,961,900	\$ 809,381,485	\$ 21,006,240

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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

2002 Election (Measure C)

In a general election held on March 5, 2002, the voters approved \$250 million of general obligation bonds for the purpose of improving the health and safety conditions of the schools.

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, 2016, deferred amounts on refunding of \$9,418,543 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2016

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, 2015	Additions	Redeemed During Year	Outstanding, June 30, 2016
Measure C (2010)								
Series A	2.46%-4.70%	9/30/2010	8/1/2035	\$ 50,456,475	\$ 50,456,475	\$ -	\$ -	\$ 50,456,475
Series B	1.244%-5.048%	9/30/2010	8/1/2027	59,540,000	57,855,000	-	3,680,000	54,175,000
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	7,133,582	-	242,272	6,891,310
Series E	0.3%-5.0%	6/20/2012	6/1/2037	149,995,000	137,060,000	-	200,000	136,860,000
Series F	4.0%-5.0%	7/15/2015	8/1/2025	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	30,200,000	-	2,085,000	28,115,000
Series B	2.0%-5.0%	12/29/2011	7/1/2023	43,700,000	42,315,000	-	3,995,000	38,320,000
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	53,265,000	-	1,065,000	52,200,000
					<u>\$ 422,100,057</u>	<u>\$ 38,500,000</u>	<u>\$ 11,267,272</u>	<u>\$ 449,332,785</u>
<u>Accreted Interest:</u>								
2010, Series A					\$ 14,655,570	\$ 3,975,010	\$ -	\$ 18,630,580
2010, Series D					496,899	145,822	157,728	484,993
					<u>\$ 15,152,469</u>	<u>\$ 4,120,832</u>	<u>\$ 157,728</u>	<u>\$ 19,115,573</u>

The annual requirements to amortize general obligation bonds outstanding at June 30, 2016, is as follows:

Fiscal Year	Principal	Interest	Total
2016-2017	\$ 18,142,351	\$ 17,410,300	\$ 35,552,651
2017-2018	19,113,230	17,065,607	36,178,837
2018-2019	19,275,203	16,648,151	35,923,354
2019-2020	19,846,782	16,140,562	35,987,344
2020-2021	19,803,603	15,295,196	35,098,799
2021-2026	102,282,900	82,594,745	184,877,645
2026-2031	140,968,753	79,919,023	220,887,776
2031-2036	81,892,963	51,707,496	133,600,459
2036-2037	28,010,000	6,210,917	34,220,917
<u>\$ 449,335,785</u>		<u>\$ 302,991,997</u>	<u>\$ 752,327,782</u>

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, 2016, is \$4,326,049.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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
2016-2017	\$ 673,515
2017-2018	573,934
2018-2019	474,352
2019-2020	474,352
2020-2021	155,868
Total payments	2,352,021
Less amount representing Interest	(131,815)
Total	<u>\$ 2,220,206</u>

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. The District refunded \$13,790,000 at June 30, 2016. Special assessment debt of \$16,630,000 as of June 30, 2016, 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information for the JPAs is shown below:

	CSAC-EIA June 30, 2016	SSICCC June 30, 2015	SPURR June 30, 2015
Assets	\$ 738,658,237	\$ 8,311,174	\$ 12,936,448
Deferred outflows	3,329,112	-	-
Liabilities	602,870,657	727,996	7,389,462
Deferred inflows	1,444,075	-	-
Net Position	<u>\$ 137,672,617</u>	<u>\$ 7,583,178</u>	<u>\$ 5,546,986</u>
Revenues	\$ 773,042,131	\$ 15,120,259	\$ 31,367,361
Expenses	<u>761,726,010</u>	<u>14,145,476</u>	<u>30,728,021</u>
Operating Income	11,316,121	974,783	639,340
Non-Operating Income(Expense)	<u>13,949,851</u>	<u>31,355</u>	<u>(26,731)</u>
Change in Net Position	<u>\$ 25,265,972</u>	<u>\$ 1,006,138</u>	<u>\$ 612,609</u>

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, 2016, the District had commitments with respect to unfinished capital projects of \$1.6 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, 2016.

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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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 percent 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 percent 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 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent 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 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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 percent per year.

Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 9.2% and plan members under 2% at 62 were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% 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 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 14,708,705	\$ 5,634,285
Employer contributions paid by State	\$ 8,511,175	-
Employee contributions paid by employer	\$ -	-

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

As of June 30, 2016, 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	\$ 195,912,840
CalPERS	59,623,699
Total Net Pension Liability	<u>\$ 255,536,539</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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, 2015, 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, 2014, rolled forward to June 30, 2015, 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, 2014 and 2015, was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2014	0.2760%	0.3979%
Proportion - June 30, 2015	0.2910%	0.4045%
Change - Increase (Decrease)	<u>0.0150%</u>	<u>0.0066%</u>

For the year ended June 30, 2016, the District recognized pension expense of \$20,692,303. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 20,342,990	\$ -
Differences between actual and expected experience	3,407,582	(3,273,750)
Changes in assumptions	-	(3,663,446)
Adjustment due to differences in proportions	11,321,187	-
Net differences between projected and actual earnings on plan investments	<u>9,792,558</u>	<u>(27,804,204)</u>
	<u>\$ 44,864,317</u>	<u>\$ (34,741,400)</u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

The total amount of \$20,342,990 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	Amount
June 30,	
2017	\$ (3,616,961)
2018	(3,677,090)
2019	579,342
2020	(467,679)
2021	(467,679)
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
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, 2014, valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed 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 percent) 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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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 percent. 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, 2015.

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.

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	4.50%	5.71%
Global Debt Securities	N/A	19%	N/A	2.43%
Inflation Sensitive	5%	6%	3.20%	3.36%
Private Equity	12%	10%	6.20%	6.95%
Real Estate	15%	10%	4.35%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	20%	N/A	0.20%	N/A
Liquidity	1%	2%	0.00%	-1.05%
	<u>100%</u>	<u>100%</u>		

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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	\$ 295,813,140	\$ 97,042,535
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 195,912,840	\$ 59,623,699
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 112,887,630	\$ 28,507,433

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, 2016, the District reported a payable of \$1,424,697 and \$0 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2016.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Mount Diablo Unified School District administers a defined benefit postemployment plan, where plan assets may be used only for the payment of benefits to the members of that plan. The plan assets are accounted for in the General Fund. The District implemented Governmental Accounting Standards Board Statement #45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits	1,219
Active plan members	<u>3,005</u>
Total	<u><u>4,224</u></u>

As of July 1, 2014, actuarial valuation date

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District and meet the age and service requirements for eligibility. The District offers subsidized health insurance until age 65.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2015-16, the District contributed \$4,808,333.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 11,776,254
Interest on net OPEB obligation	1,694,328
Adjustment to ARC	<u>(1,926,311)</u>
Annual OPEB cost	11,544,271
Contributions made	<u>(4,808,333)</u>
Increase (decrease) in net OPEB obligation	6,735,938
Net OPEB obligation - July 1, 2015	<u>37,651,743</u>
Net OPEB obligation - June 30, 2016	<u><u>\$ 44,387,681</u></u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 10,947,325	46%	\$ 31,224,393
2015	11,240,874	43%	37,651,743
2016	11,544,271	42%	44,387,681

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	24 years
Actuarial Assumptions:	
Discount rate	4.5%
Healthcare trend rate	5.0%-7.0%
Inflation rate	2.75%

NOTE 13 – SUBSEQUENT EVENT

On November 16, 2016, the District issued \$38,500,000 in 2010 Election, Series G, General Obligation Bonds. The bonds are being issued to finance the construction, acquisition, furnishing, and equipping of district facilities and to pay certain costs of issuance of bonds.

Required Supplementary Information

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MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 246,611,410	\$ 249,723,998	\$ 247,515,952	\$ (2,208,046)
Federal Sources	14,813,072	21,725,220	18,812,814	(2,912,406)
Other State Sources	48,331,010	62,750,157	60,472,797	(2,277,360)
Other Local Sources	7,674,346	15,321,252	15,595,238	273,986
Total Revenues	317,429,838	349,520,627	342,396,801	(7,123,826)
Expenditures				
Current:				
Certificated Salaries	136,058,734	141,923,784	140,138,104	1,785,680
Classified Salaries	42,131,407	47,385,655	46,718,127	667,528
Employee Benefits	63,989,096	71,251,670	70,751,928	499,742
Books and Supplies	25,676,986	79,205,421	17,778,315	61,427,106
Services and Other Operating Expenditures	31,437,426	41,786,411	37,543,919	4,242,492
Transfers of Indirect Costs	(644,219)	(729,250)	(586,877)	(142,373)
Intergovernmental	3,517,399	2,951,314	2,265,377	685,937
Capital Outlay	3,052,149	6,055,153	4,305,881	1,749,272
Debt Service	507,559	685,937	668,856	17,081
Total Expenditures	305,726,537	390,516,095	319,583,630	70,932,465
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,703,301	(40,995,468)	22,813,171	63,808,639
Other Financing Sources and Uses				
Interfund Transfers Out	(3,184,396)	(175,156)	(175,156)	-
Proceeds from capital leases	-	-	1,653,289	1,653,289
Total Other Financing Sources and Uses	(3,184,396)	(175,156)	1,478,133	1,653,289
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	8,518,905	(41,170,624)	24,291,304	65,461,928
Fund Balances, July 1, 2015	44,736,866	71,521,401	71,521,401	-
Fund Balances, June 30, 2016	\$ 53,255,771	\$ 30,350,777	\$ 95,812,705	\$ 65,461,928

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
5/1/2008	\$ -	\$ 71,018,299	\$ 71,018,299	0%	\$ 191,822,548	37%
7/1/2012	\$ -	95,744,443	95,744,443	0%	174,900,000	55%
7/1/2014	\$ -	101,535,198	101,535,198	0%	171,978,831	59%

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	2015	2014
District's proportion of the net pension liability (asset):		
CalSTRS	0.2910%	0.2760%
CalPERS	0.4045%	0.3979%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 195,912,840	\$ 161,286,120
CalPERS	\$ 59,623,699	\$ 45,171,338
District's covered-employee payroll:		
CalSTRS	\$ 131,676,520	\$ 123,886,776
CalPERS	\$ 45,257,132	\$ 41,430,353
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	148.8%	130.2%
CalPERS	131.7%	109.0%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS	74.0%	76.5%
CalPERS	79.4%	83.4%

* *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 Contributions

For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	<u>2015</u>	<u>2014</u>
Actuarially determined contribution:		
CalSTRS	\$ 11,692,875	\$ 10,220,659
CalPERS	\$ 5,327,217	\$ 4,740,461
Contributions in relation to the actuarially determined contribution:		
CalSTRS	\$ 11,692,875	\$ 10,220,659
CalPERS	<u>\$ 5,327,217</u>	<u>\$ 4,740,461</u>
Contribution deficiency (excess):		
CalSTRS	<u>\$ -</u>	<u>\$ -</u>
CalPERS	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll:		
CalSTRS	\$ 131,676,520	\$ 123,886,776
CalPERS	\$ 45,257,132	\$ 41,430,353
Contributions as a percentage of covered-employee payroll:		
CalSTRS	8.88%	8.25%
CalPERS	11.771%	11.442%

* 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
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

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 Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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 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

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>General Fund</u>	<u>Amount</u>
Current:	
Transfers of indirect costs	\$ 142,373

Supplementary Information

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MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2016

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
Cheryl Hansen	President	December 2018
Debra Mason	Vice-President	December 2018
Brian Lawrence	Member	December 2016
Linda Mayo	Member	December 2018
Barbara Oaks	Member	December 2016

DISTRICT ADMINISTRATORS

Dr. Nellie Meyer, Ed.D.,
Superintendent

Vacant,
Assistant Superintendent, Elementary Schools

Jonathan Eagan,
Assistant Superintendent, Middle Schools

Christopher Holleran,
Assistant Superintendent, High Schools

Jennifer Sachs,
Executive Director of Instructional Support

Leyla Benson,
Executive Director, Personnel

Wendi Aghily,
Executive Director, Special Education

Wayne Oetken,
Interim CBO

Nance Juner,
Director, Fiscal Services

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

*Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2016*

	Second Period Report	Annual Report
	Certificate No. (059BBBA9)	Certificate No. (2E4C96FB)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	10,087.81	10,086.15
Fourth through Sixth	7,513.54	7,509.23
Seventh through Eighth	4,844.13	4,839.26
Ninth through Twelfth	7,874.38	7,801.79
Total Regular ADA & Extended Year	<u>30,319.86</u>	<u>30,236.43</u>
Special Education - Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	2.23	2.61
Fourth through Sixth	20.47	20.35
Seventh through Eighth	31.24	31.66
Ninth through Twelfth	77.66	77.40
Total Special Education - Nonpublic, Nonsectarian Schools	<u>131.60</u>	<u>132.02</u>
Community Day School:		
Seventh through Eighth	3.66	4.13
Ninth through Twelfth	8.15	7.92
Total Community Day School	<u>11.81</u>	<u>12.05</u>
Total ADA	<u><u>30,463.27</u></u>	<u><u>30,380.50</u></u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2016

<u>Grade Level</u>	<u>Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,000	180	Complied
Grade 1	50,400	51,840	180	Complied
Grade 2	50,400	51,840	180	Complied
Grade 3	50,400	51,840	180	Complied
Grade 4	54,000	55,800	180	Complied
Grade 5	54,000	55,800	180	Complied
Grade 6	54,000	57,900	180	Complied
Grade 7	54,000	57,900	180	Complied
Grade 8	54,000	57,900	180	Complied
Grade 9	64,800	64,895	180	Complied
Grade 10	64,800	64,895	180	Complied
Grade 11	64,800	64,895	180	Complied
Grade 12	64,800	64,895	180	Complied

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2016

General Fund	(Budget) 2017 ²	2016	2015	2014
Revenues and other financing sources	\$ 322,954,012	\$ 344,050,090	\$ 294,964,499	\$ 283,613,268
Expenditures	333,410,714	319,583,630	285,924,967	267,651,694
Other uses and transfers out	-	175,156	3,276,196	3,789,964
Total outgo	333,410,714	319,758,786	289,201,163	271,441,658
Change in fund balance (deficit)	(10,456,702)	24,291,304	5,763,336	12,171,610
Ending fund balance	\$ 85,356,003	\$ 95,812,705	\$ 71,521,401	\$ 65,758,065
Available reserves ¹	\$ 53,835,808	\$ 43,317,863	\$ 39,495,171	\$ 43,731,630
Available reserves as a percentage of total outgo	16.1%	13.5%	13.7%	16.1%
Total long-term debt	\$ 788,375,245	\$ 809,381,485	\$ 719,583,733	\$ 776,939,325
Average daily attendance at P-2	30,408	30,463	30,373	30,460

The General Fund balance has increased by \$30,054,640 over the past two years. The fiscal year 2016-17 adopted budget projects a decrease of \$10,456,702. 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 each of the past three years, but anticipates incurring an operating deficit during the 2016-17 fiscal year. Long-term debt has increased by \$32,442,160 over the past two years.

Average daily attendance has increased by 3 over the past two years. A decrease of 55 ADA is projected during fiscal year 2016-17.

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

² Revised Final Budget September, 2016.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2016

<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Eagle Peak Montessori	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, 2016*

	<u>General Fund</u>	<u>Cafeteria Fund</u>
June 30, 2016, annual financial and budget report (SACS) fund balances	\$ 98,020,753	\$ 4,090,729
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts receivable overstated	-	(53,813)
Accounts payable understated	<u>(2,208,048)</u>	<u>-</u>
Net adjustments and reclassifications	<u>(2,208,048)</u>	<u>(53,813)</u>
June 30, 2016, audited financial statement fund balances	<u><u>\$ 95,812,705</u></u>	<u><u>\$ 4,036,916</u></u>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

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:				
Farm to School Planning Grant	10.575	N/A		\$ 32,974
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	\$ 42,188	
School Breakfast Program - Especially Needy	10.553	13526	1,638,358	
National School Lunch Program	10.555	13523	5,598,283	
USDA Donated Foods	10.555	N/A	696,785	
Summer Food Service Program Operations	10.559	13004	226,781	
Total Child Nutrition Cluster				8,202,395
Child and Adult Care Food Program	10.558	13393	869,559	
Cash in Lieu of Commodities	10.558	13393	67,270	
Total Child and Adult Care Food Program Cluster				936,829
Total U.S. Department of Agriculture				<u>9,172,198</u>
U.S. Department of Defense:				
J.R.O.T.C.	12.030	N/A		176,389
Total U.S. Department of Defense				<u>176,389</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Education: Adult Basic Education and ESL	84.002A	14508	318,163	
Adult Education: Adult Secondary Education	84.002	13978	159,500	
Adult Education: English Literacy and Civics Education	84.002A	14109	123,482	
Total Adult Education - State Grants Cluster				601,145
Pell Grants	84.063	N/A		246,559
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	5,822,716	
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14955	566,198	
Total Title I, Part A Cluster				6,388,914
Title I, Part G, Advanced Placement Test Reimbursement Program	84.330B	14831		19,270
Title I School Improvement Grant (SIG) for QEIA Schools	84.377	14971		1,855,467
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		994,174
Title III, Limited English Proficiency	84.365	14346	423,058	
Title III, Immigrant Education	84.365	15146	81,276	
Total English Language Acquisition Grants Cluster				504,334
Carl D. Perkins Career and Technical Education: Secondary, Sec. 131	84.048	14894	92,216	
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893	31,908	
Total Career and Technical Education - Basic Grants to States Cluster				124,124
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	5,306,241	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	50,195	
Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	955,089	
Preschool Grants, Part B, Sec 619	84.173	13430	189,462	
Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	66,834	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	271,582	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	352,448	
Part B, Sec 611, Preschool Local Entitlement Early Intervening Services	84.027	10132	47,926	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,177	
Alternate Dispute Resolution	84.173A	13007	21,097	
Total Special Education (IDEA) Cluster				7,262,051
State Improvement Grant, Improving Special Education Systems	84.323	14913		10,654
Elementary and Secondary School Counsel	84.215E	N/A		361,312
IDEA Early Intervention Grants, Part C	84.181	23761		161,463
Total U.S. Department of Education				<u>18,529,467</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013		596,774
Temporary Assistance for Needy Families	93.558	N/A		40,526
Total U.S. Department of Health & Human Services				<u>637,300</u>
Corporation for National and Community Service:				
CalSERVES After School Program	94.006	N/A		125,742
Total Corporation for National and Community Service				<u>125,742</u>
Total Expenditures of Federal Awards				<u>\$ 28,641,096</u>

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2016

	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	\$ 612,044	\$ 2,024,105	\$ 8,022	\$ 5,817,105	\$ 1,066,454	\$ 786,752	\$ 10,314,482
Investments	625,171	713,152	-	1,224,186	1,177,114	-	3,739,623
Accounts receivable	560,310	1,596,486	-	7,167	-	-	2,163,963
Due from other funds	-	79	477	-	-	1,159	1,715
Inventories	-	30,077	-	-	-	-	30,077
Total Assets	<u>\$ 1,797,525</u>	<u>\$ 4,363,899</u>	<u>\$ 8,499</u>	<u>\$ 7,048,458</u>	<u>\$ 2,243,568</u>	<u>\$ 787,911</u>	<u>\$ 16,249,860</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 73,744	\$ 290,983	\$ 110	\$ 2,106	\$ 56,856	\$ 741	\$ 424,540
Unearned revenue	-	36,000	-	-	-	-	36,000
Total Liabilities	<u>73,744</u>	<u>326,983</u>	<u>110</u>	<u>2,106</u>	<u>56,856</u>	<u>741</u>	<u>460,540</u>
Fund Balances							
Nonspendable	-	30,076	-	-	-	-	30,076
Restricted	224,933	4,006,840	-	7,046,352	2,186,712	787,170	14,252,007
Committed	1,498,848	-	8,389	-	-	-	1,507,237
Total Fund Balances	<u>1,723,781</u>	<u>4,036,916</u>	<u>8,389</u>	<u>7,046,352</u>	<u>2,186,712</u>	<u>787,170</u>	<u>15,789,320</u>
Total Liabilities and Fund Balances	<u>\$ 1,797,525</u>	<u>\$ 4,363,899</u>	<u>\$ 8,499</u>	<u>\$ 7,048,458</u>	<u>\$ 2,243,568</u>	<u>\$ 787,911</u>	<u>\$ 16,249,860</u>

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, 2016

	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	\$ 933,406	\$ 9,172,198	\$ -	\$ -	\$ -	\$ -	\$ 10,105,604
Other state sources	3,552,827	584,841	-	-	-	-	4,137,668
Other local sources	1,642,345	3,042,839	-	1,519,093	1,982	-	6,206,259
Total Revenues	6,128,578	12,799,878	-	1,519,093	1,982	-	20,449,531
EXPENDITURES							
Current:							
Instruction	3,568,744	-	-	-	-	-	3,568,744
Instruction-related services:							
Supervision of instruction	304,086	-	-	-	-	-	304,086
Instructional library, media and technology	98,660	-	-	-	-	-	98,660
School site administration	1,678,444	-	-	-	-	-	1,678,444
Pupil Support Services:							
Food services	-	11,308,666	-	-	-	-	11,308,666
All other pupil services	27,182	-	-	-	-	-	27,182
General Administration Services:							
Other general administration	-	-	-	45,486	-	-	45,486
Plant services	24,590	-	22	864	-	1,869,523	1,894,999
Transfers of indirect costs	174,673	412,204	-	-	-	-	586,877
Capital outlay	-	-	-	2,170	83,902	210,482	296,554
Debt service:							
Principal	-	-	-	219,176	-	-	219,176
Total Expenditures	5,876,379	11,720,870	22	267,696	83,902	2,080,005	20,028,874
Excess (Deficiency) of Revenues Over (Under) Expenditures	252,199	1,079,008	(22)	1,251,397	(81,920)	(2,080,005)	420,657
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	157,639	-	-	-	-	-	157,639
Other financing sources	-	-	-	-	-	810,000	810,000
Total Other Financing Sources and Uses	157,639	-	-	-	-	810,000	967,639
Net Change in Fund Balances	409,838	1,079,008	(22)	1,251,397	(81,920)	(1,270,005)	1,388,296
Fund Balances, July 1, 2015	1,313,943	2,957,908	8,411	5,794,955	2,268,632	2,057,175	14,401,024
Fund Balances, June 30, 2016	\$ 1,723,781	\$ 4,036,916	\$ 8,389	\$ 7,046,352	\$ 2,186,712	\$ 787,170	\$ 15,789,320

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2016

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.

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

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.

Combining Financial Statements

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

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, 2016, 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 14, 2016.

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2016-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as Findings 2016-001 and 2016-002.

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 2016-004.

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.



Murrieta, California
December 14, 2016



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 *2015-16 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, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 below. 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 *2015-16 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 below 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.

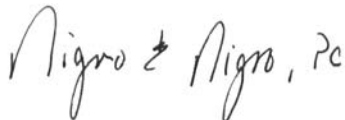
We believe that our audit provides a reasonable basis for our opinion on compliance for each State program. However, our audit does not provide a legal determination of Mount Diablo Unified School District's compliance.

In connection with the audit referred to on the prior page, 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
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
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, 2016.



Murrieta, California
December 14, 2016



**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, 2016. 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, 2016.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

Mount Diablo Unified School District's response to the noncompliance 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 applied in the audit of compliance and, accordingly, we express no opinion on the response.

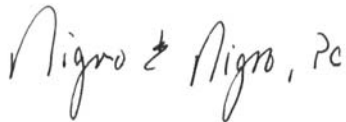
Report on Internal Control Over Compliance

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, as defined above. 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.



Murrieta, California
December 14, 2016

Findings and Questioned Costs

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MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, <u>10.559</u>	<u>Child Nutrition Cluster</u>
<u>84.367</u>	<u>Improving Teacher Quality State Grants</u>
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 859,233</u>
Auditee qualified as low-risk auditee?	<u>No</u>

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
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 2016-001: Associated Student Body (ASB) Oversight (30000)

Finding: 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.

Recommendation: 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.

Views of Responsible Officials: The District is aware of the inherent risk that comes with operating ASBs and is dedicated to ensure that the ASBs have adequate supervision to ensure all procedures are followed. A position has been established in the business office however after multiple attempts we have been unable to find a viable candidate. We will continue to pursue filling the vacancy as we assign the duties necessary to provide the complete oversight of the ASB accounts at all districts schools to available staff. Training opportunities will be provided to get staff up-to-date on regulations and compliance.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (continued)

Finding 2016-002: Associated Student Body (ASB) Controls (30000)

Finding: During our review of the ASB controls at the school sites, we noted the following:

1. ASB bookkeepers are signers on bank accounts at several schools.
2. Cash and pre-numbered receipts books were not properly safeguarded. Cash deposits were not made in a timely manner.
3. Disbursements were not approved by the District representative, ASB and/or student representative, prior to incurring the expense.
4. Cash disbursement documentation was insufficient.
5. Evidence of receipt of goods or services was not consistently noted prior to disbursement.
6. ASB funds were spent on District staff expenses and used as donations to charitable organizations inappropriately.
7. The ASB fund was used as a pass-through account for collecting textbook fees on behalf of the District.
8. Revenue potentials were not prepared for fundraising events.
9. Cash receipting documentation was insufficient or did not agree to the amounts deposits.
10. Bank reconciliations were not prepared or reviewed in a timely manner or were not prepared at all.
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.
12. At Northgate High School, we noted cash shortages/overages are not investigated at athletic events, dances and drama productions.

Recommendation: We recommend the following:

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.
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.
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.
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.
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.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (continued)

Finding 2016-002: Associated Student Body (ASB) Controls (30000) (continued)

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.
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.
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.
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.
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.
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.
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.

Views of Responsible Officials: We will take the recommendations into consideration as we work on updating the processes and procedures for ASB controls. Training will be provided to ASB advisors, bookkeepers and site administrators in the upcoming fiscal year on regulations and compliance. We will reinforce the importance of proper record keeping and reconciliation and address the noted discrepancies as soon as possible.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (continued)

Finding 2016-003: Year-End Closing (30000)

Finding: 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.

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.

Recommendation: 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.

Views of Responsible Officials: We concur with the finding. We will work with the recommendations and adjust the year-end closing processes to ensure the necessary supporting documentation is available to support all account balances.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

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).

Finding 2016-004: Cafeteria Fund Cash Reserves (60000)

Program Identification:

Federal Agency: U.S. Department of Agriculture
Pass-through Entity: California Department of Education
Program Names: Child Nutrition Cluster:
 School Breakfast Program (CFDA No. 10.553)
 National School Lunch Program (CFDA No. 10.555)
 Summer Food Service Program (CFDA No. 10.559)

Criteria: 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).

Condition: At June 30, 2016, 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.

Questioned Cost: None.

Cause: The District experienced an excess of revenues over expenditures of approximately \$1.1 million in the fiscal year.

Recommendation: We recommend the District create and submit a spending plan to the CDE.

Views of Responsible Officials: The Cafeteria Fund Cash Reserves occurred due to the on-going bargaining unit negotiations that started in the 2015-16 fiscal year with an anticipated salary increase for all employees. An agreement was not made by June 30, 2016. The Board of Education approved a two-year agreement that includes a 5% salary increase effective July 1, 2016 and an additional 3% increase effective July 1, 2017. The District does not expect to have a cash reserve in the upcoming fiscal year due to the salary increases and necessary statutory benefits.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

There were no state award findings or questioned costs in 2015-16.

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2015-1: Associated Student Body (ASB) Oversight</i></p>	<p>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.</p>	<p>30000</p>	<p>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.</p>	<p>Not Implemented. See Finding 2016-001.</p>
<p><i>Finding 2015-2: Associated Student Body (ASB) Controls</i></p>	<p>During our review of the ASB controls at the school sites, we noted the following:</p> <ol style="list-style-type: none"> 1. ASB bookkeepers are signers on bank accounts at several schools. 2. Disbursements were not approved by the District representative, ASB and/or student representative, prior to incurring the expense. 3. Evidence of receipt of goods or services was not consistently noted prior to disbursement. 4. Revenue potentials are not prepared for fundraising events. 5. Cash receipting documentation was insufficient or did not agree to the amounts deposited. 6. Bank reconciliations were not prepared in a timely manner or were not prepared at all. 7. At Pleasant Hill Middle School, we identified four deposits that were not recorded in the accounting system over a two month period. At this site, transactions are being recorded when the bank statement is received rather than at the time the transaction takes place. Additionally, one disbursement tested was for "Staff Appreciation". 	<p>30000</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 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. 2. 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. 3. 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. 	<p>Not Implemented. See Finding 2016-002.</p>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2015-2: Associated Student Body (ASB) Controls (continued)</i></p>	<p>ASB disbursements should be for the general welfare of the students and should not be for the benefit of one individual or District employee. At this site we also noted check stock was not kept in a secure location.</p> <p>8. At College Park High, collections for the District are being comingled in the ASB account for transfer to the District. ASB accounts are not and should not be used as pass-through or clearing accounts for District funds.</p>		<p>4. 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.</p> <p>5. 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.</p> <p>6. 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.</p> <p>7. We recommend transactions are recorded as they occur, and that a different employee reconcile the bank statement to the financial records. We recommend that the District assist in the bookkeeping and reconciliation duties until a full-time bookkeeper can be trained on the correct ASB procedures. We further recommend that the District investigate the discrepancies noted above. We recommend blank check stock be kept secure and protected by keeping it locked in a drawer or safe.</p> <p>8. We recommend that the ASB is not used to comingled funds collected for the District. These funds should be kept separately and forwarded to the District Office for deposit.</p>	

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2015-3: Year-End Closing</i></p>	<p>Due to limited District staffing, the District was unable to provide adequate supporting documentation for several account balances during our audit. The District could not provide evidence to support the balances in accounts payable in the General Fund.</p> <p>Additionally, the District was unable to provide supporting schedules for any capital assets acquired prior to the 2013-14 fiscal year. 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.</p> <p>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.</p>	<p>30000</p>	<p>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. 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.</p>	<p>Not Implemented. See Finding 2016-003.</p>
<p><i>Finding 2015-4: Unduplicated Pupil Count</i></p>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p>	<p>40000</p>	<p>We recommend that the District work with the Child Nutrition Services department to update the CALPADS system once all applications are received. Although there is a grace period recognized at a local level, the District should update CALPADS retroactively to reflect the current year application information in the reporting software.</p>	<p>Implemented.</p>

MOUNT DIABLO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2015-4: Unduplicated Pupil Count (continued)</i></p>	<ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that ten students that were reported as qualifying for free or reduced priced meals did not have an application on file for the 2014-15 fiscal year. This is due to the fact that the District applied the local "grace period" to the CALPADS reporting and as a result, many students in the CALPADS system are reported based on 2013-14 application data instead of 2014-15 application data. Additionally, we noted one student who was classified as an EL student, but had no CELDT or other documentation to support the designation.</p>		<p>We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting is updated to reflect the changes made in the Child Nutrition Services.</p>	
<p><i>Finding 2015-5: School Accountability Report Card (SARC)</i></p>	<p>The information on the School Accountability Report Card (SARC) should be reported consistent with the most recently completed Facility Inspection Tool for that School as required by the provisions of Education Code Section 33126.</p> <p>The information published on the SARC for Wren Elementary School was incorrectly reported as 'Good' instead of 'Fair' in the interior surfaces category.</p>	<p>72000</p>	<p>We recommend that the District implement a procedure for reviewing data to ensure it is based on the most current information.</p>	<p>Implemented.</p>