



**ALPINE UNION
SCHOOL DISTRICT**

**COUNTY OF SAN DIEGO
ALPINE, CALIFORNIA
AUDIT REPORT**

JUNE 30, 2018

Introductory Section

Alpine Union School District
 Audit Report
 For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	Exhibit A-1
Statement of Activities.....	13	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	17	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	18	Exhibit A-7
Notes to the Financial Statements	19	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	51	Exhibit B-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California State Teachers' Retirement System.....	52	Exhibit B-2
Schedule of District's Contributions - California State Teachers' Retirement System.....	53	Exhibit B-3
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees' Retirement System.....	54	Exhibit B-4
Schedule of District's Contributions - California Public Employees' Retirement System..	55	Exhibit B-5
Schedule of Changes in the District's Total OPEB Liability		
And Related Ratios - OPEB Plan	56	Exhibit B-6
Notes to Required Supplementary Information.....	57	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	60	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	61	Exhibit C-2
 Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	62	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Capital Projects Funds.....	63	Exhibit C-4

Alpine Union School District
 Audit Report
 For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	64	
Schedule of Average Daily Attendance.....	65	Table D-1
Schedule of Instructional Time.....	66	Table D-2
Schedule of Financial Trends and Analysis.....	67	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	68	Table D-4
Schedule of Charter Schools.....	69	Table D-5
Schedule of Expenditures of Federal Awards	70	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	71	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	74	
Independent Auditor's Report on State Compliance.....	76	
Schedule of Findings and Questioned Costs	79	
Summary Schedule of Prior Audit Findings.....	81	

Financial Section



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report

To the Board of Trustees
Alpine Union School District
Alpine, California 91901

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine Union School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Alpine Union School District as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Alpine Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and Schedule of Changes in the District's Total OPEB Liability And Related Ratios identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alpine Union School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts 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 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 accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards 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 combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of Alpine Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpine Union School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + LLP

El Cajon, California
December 13, 2018

ALPINE UNION SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Unaudited)

The discussion and analysis of Alpine Union School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The increase in Local Control Funding Formula (LCFF) sources from 2016-17 to 2017-18 was \$123,942. The increase is due to the State of California funding some of the LCFF gap because of actual revenues outpacing all forecasts.
- The general fund expenditures increased by \$1.3 million or 8.2% over the previous year amount.
- General Fund revenues and other sources exceeded expenses and other uses by \$1 million.
- The General Fund ended the fiscal year with 9.7% reserves in unrestricted fund balance.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Alpine Union School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2017-2018?"

The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the School District's Most Significant Funds

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 to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Fiduciary Funds

The District is the trustee, or fiduciary, for the student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was (\$16.2) million at June 30, 2018 and was largely due to the continuing recognition of the net pension liability. Of this amount, unrestricted net position was (\$16.9) million, net investment in capital assets was (\$1.5) million, and restricted net position was \$2.2 million. A Comparative analysis of government-wide statement of net position is presented in Table 1.

The District's net position increased \$0.7 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 77% of total expenses. The administrative activities of the District accounted for just 8% of total costs. The remaining 16% was spent in the areas of plant services and other expenses. (See Figure 2)

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	June 30, 2018	June 30, 2017
Assets		
Cash	\$ 4,149,759	\$ 4,237,068
Accounts receivable	548,530	380,406
Stores inventory	4,923	6,632
Prepaid expenses	110,575	110,575
Capital assets, net	16,084,050	16,360,111
Total Assets	<u>\$ 20,897,837</u>	<u>\$ 21,094,792</u>
Deferred Outflows of Resources		
Deferred outflows of resources - pensions	\$ 4,896,242	\$ 2,190,140
Total Deferred Outflows of Resources	<u>\$ 4,896,242</u>	<u>\$ 2,190,140</u>
Liabilities		
Accounts payable and other current liabilities	440,772	333,548
Unearned revenue	19,815	19,815
Long-term liabilities	38,557,960	35,499,317
Total Liabilities	<u>39,018,547</u>	<u>35,852,680</u>
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	\$ 2,953,844	\$ 1,220,985
Deferred inflows of resources - OPEB	20,443	0
Total Deferred Inflows of Resources	<u>\$ 2,974,287</u>	<u>\$ 1,220,985</u>
Net Assets		
Net investment in capital assets	(1,504,985)	1,147,627
Restricted	2,252,706	756,485
Unrestricted	(16,946,476)	(15,692,845)
Total Net Position	<u>\$ (16,198,755)</u>	<u>\$ (13,788,733)</u>

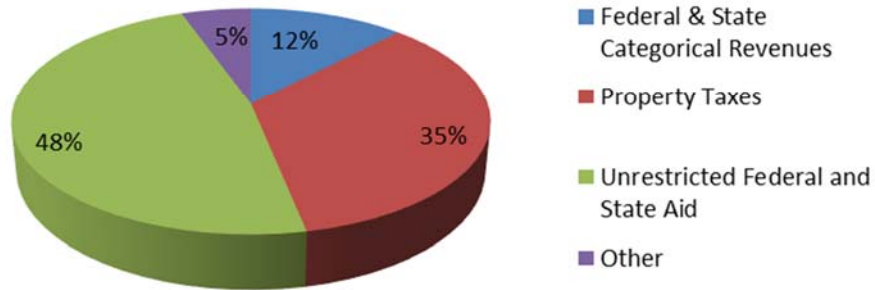
(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	June 30, 2018	June 30, 2017
Revenues		
Program revenues		
Charges for services	\$ 189,486	\$ 235,495
Operating grants	2,400,326	2,532,799
General revenues		
Taxes levied for general purposes	4,955,303	4,792,429
Taxes levied for debt service	1,884,173	1,568,598
Taxes levied for other specific purposes	(73)	(156)
Federal and state aid not restricted to specific purposes	9,423,604	9,345,057
Interest and investment earnings	82,070	55,162
Miscellaneous	807,022	634,921
Total Revenues	<u>19,741,911</u>	<u>19,164,305</u>
Expenses		
Instruction	11,108,127	12,141,318
Instruction related services	1,402,975	1,511,300
Pupil support services	2,042,975	1,995,240
General administration	1,477,555	1,538,054
Plant services	1,576,180	1,474,949
Other	1,384,952	1,256,220
Total Expenses	<u>18,992,764</u>	<u>19,917,081</u>
Increase (Decrease) in Net Position	749,147	(752,776)
Net Position - Beginning Balance	(13,788,733)	(13,035,957)
Adjustment for implementation of GASB 75	(3,159,169)	0
Net Position - Ending Balance	<u>\$ (16,198,755)</u>	<u>\$ (13,788,733)</u>

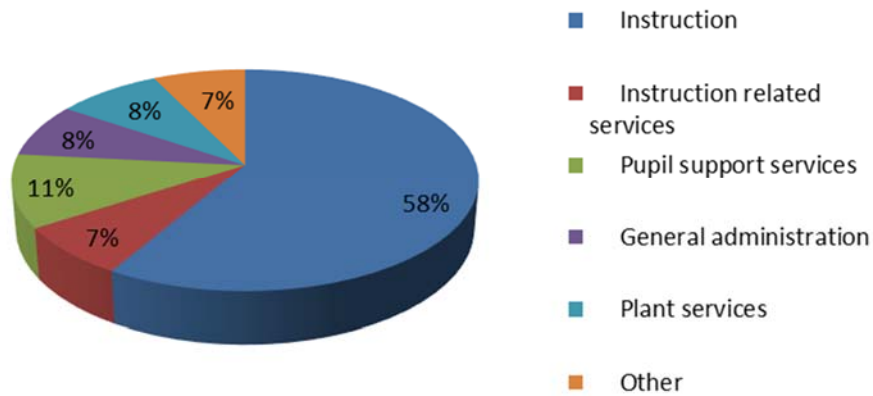
GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$19 million. The amount that our local taxpayers financed for these activities through property taxes was \$6.8 million. Federal and State aid not restricted to specific purposes totaled \$9.4 million covering 49.5% of district expenses. Operating grants and contributions revenue was \$2.4 (See Figure 1).

**Sources of Revenue for the 2017-18
Fiscal Year - Figure 1**



Expenses for the 2017-18 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District’s operations in more detail than the government-wide statements. The District’s individual fund statements provide information on inflows and outflows and balances of spendable resources. The District’s Governmental Funds reported a combined fund balance of \$4.4 million, a increase of \$797 dollars from the previous fiscal year’s combined ending balance of \$4.4 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$382,751.

The District ended the year with a \$235,269 decrease to the general fund ending balance. The State recommends available reserves of 3% of District expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. Table 3 demonstrates a comparative Schedule of Capital Assets.

(Table 3)
Comparative Schedule of Capital Assets
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 2,137,026	\$ 2,137,026	\$ 0	0.0%
Land Improvements	7,933,934	7,296,382	637,552	8.7%
Buildings & Improvements	24,389,037	24,389,037	0	0.0%
Equipment	1,441,233	1,305,129	136,104	10.4%
Less Accumulated Depreciation for				
Land Improvements	(6,342,368)	(5,973,450)	(368,918)	6.2%
Buildings & Improvements	(12,287,050)	(11,671,232)	(615,818)	5.3%
Equipment	(1,187,762)	(1,122,781)	(64,981)	100.0%
Total	<u>\$ 16,084,050</u>	<u>\$ 16,360,111</u>	<u>\$ (276,061)</u>	<u>-1.7%</u>

Long-Term Debt

At June 30, 2018 the District had \$17.9 million in long-term debt outstanding. Table 4 shows a comparative schedule of long-term debt items.

(Table 4)
Comparative Schedule of Long-Term Debt
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
General Obligation Bonds	\$ 14,363,115	\$ 15,212,483	\$ (849,368)	-5.6%
Capital Lease Obligation	340,575	473,490	(132,915)	-28.1%
Certificates of Participation	2,885,344	3,201,493	(316,149)	-9.9%
Retirement Incentive	<u>331,725</u>	<u>442,300</u>	<u>(110,575)</u>	<u>-25.0%</u>
Total Long-Term Debt	<u>\$ 17,920,759</u>	<u>\$ 19,329,766</u>	<u>\$ (1,409,007)</u>	<u>-7.3%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturns and surpluses impact the District's future dramatically. The financial well-being of the District is tied in large measure to the state funding formula which is currently not funding the District at 100%.

The latest enrollment projections indicate a downward trend for the next two school years. Student enrollment and attendance are primary factors in the computation of most funding formulae for public schools in the State of California. While ADA growth is not budgeted until realized in the fall, future growth potential is there, but attendance remains the focal point of every budget report.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout. The District has an excellent track record in meeting this challenge in what has proven to be a long cycle of lean years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the business office, at Alpine Union School District, 2001 Tavern Rd, Alpine, California 91901.

Basic Financial Statements

ALPINE UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Governmental Activities
ASSETS:	
Cash	\$ 4,149,759
Receivables	548,530
Stores	4,923
Prepaid expenses	110,575
Capital Assets:	
Land	2,137,026
Improvements	7,933,934
Buildings	24,389,037
Equipment	1,441,233
Less Accumulated Depreciation	(19,817,180)
Total Assets	<u>20,897,837</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>4,896,242</u>
LIABILITIES:	
Accounts Payable	440,772
Unearned Revenue	19,815
Long-Term Liabilities:	
Due Within One Year	2,512,107
Due in More Than One Year	<u>36,045,853</u>
Total Liabilities	<u>39,018,547</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,974,287</u>
NET POSITION:	
Net Investment in Capital Assets	(1,504,985)
Restricted for:	
Capital Projects	105,823
Debt Service	2,092,273
Educational Programs	24,396
Other Purposes (Expendable)	22,791
Other Purposes (Nonexpendable)	7,423
Unrestricted	<u>(16,946,476)</u>
Total Net Position	<u>\$ (16,198,755)</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 11,108,127	\$ -	\$ 1,659,983	\$ (9,448,144)
Instruction-Related Services:				
Instructional Supervision and Administration	30,309	-	-	(30,309)
Instructional Library, Media and Technology	123,700	-	-	(123,700)
School Site Administration	1,248,966	-	48,562	(1,200,404)
Pupil Services:				
Home-to-School Transportation	740,865	-	48,727	(692,138)
Food Services	569,409	189,486	326,143	(53,780)
All Other Pupil Services	732,701	-	99,314	(633,387)
General Administration:				
Centralized Data Processing	49,835	-	-	(49,835)
All Other General Administration	1,427,720	-	109,839	(1,317,881)
Plant Services	1,576,180	-	107,758	(1,468,422)
Community Services	231,828	-	-	(231,828)
Interest on Long-Term Debt	1,114,626	-	-	(1,114,626)
Other Outgo	38,498	-	-	(38,498)
Total Expenses	<u>\$ 18,992,764</u>	<u>\$ 189,486</u>	<u>\$ 2,400,326</u>	<u>\$ (16,402,952)</u>
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				4,955,303
Taxes Levied for Debt Service				1,884,173
Taxes Levied for Other Specific Purposes				(73)
Federal and State Aid, Not Restricted				9,423,604
Interest and Investment Earnings				82,070
Miscellaneous				807,022
Total General Revenues				<u>17,152,099</u>
Change in Net Position				749,147
Net Position Beginning - As Restated (See Note R)				<u>(16,947,902)</u>
Net Position Ending				<u><u>\$ (16,198,755)</u></u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,954,295	\$ 2,092,273	\$ 92,946	\$ 4,139,514
Cash on Hand and in Banks	6,973	-	768	7,741
Cash in Revolving Fund	2,500	-	-	2,500
Cash with a Fiscal Agent/Trustee	-	-	3	3
Accounts Receivable	520,408	-	28,124	548,532
Due from Other Funds	31,459	-	30,282	61,741
Stores Inventories	-	-	4,923	4,923
Prepaid Expenditures	110,575	-	-	110,575
Total Assets	<u>2,626,210</u>	<u>2,092,273</u>	<u>157,046</u>	<u>4,875,529</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 394,228	\$ -	\$ 1,600	\$ 395,828
Due to Other Funds	30,282	-	31,459	61,741
Unearned Revenue	19,815	-	-	19,815
Total Liabilities	<u>444,325</u>	<u>-</u>	<u>33,059</u>	<u>477,384</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,500	-	-	2,500
Stores Inventories	-	-	4,923	4,923
Restricted Fund Balances	33,946	2,092,273	119,064	2,245,283
Unassigned:				
Reserve for Economic Uncertainty	525,424	-	-	525,424
Other Unassigned	1,620,015	-	-	1,620,015
Total Fund Balance	<u>2,181,885</u>	<u>2,092,273</u>	<u>123,987</u>	<u>4,398,145</u>
Total Liabilities and Fund Balances	<u>\$ 2,626,210</u>	<u>\$ 2,092,273</u>	<u>\$ 157,046</u>	<u>\$ 4,875,529</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds balance sheet \$ 4,398,145

Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost:	35,901,230	
Accumulated depreciation:	<u>(19,817,180)</u>	
Net:		16,084,050

Unmatured interest on long-term debt: 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 unmaturing interest owing at the end of the period was: (44,945)

Long-term liabilities: 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	14,363,115	
Compensated absences payable	136,391	
Net pension liability	16,010,290	
Total OPEB liability	4,490,519	
Certificates of Participation	2,885,344	
Retirement incentive	331,725	
Capital leases payable	<u>340,576</u>	
Total:		(38,557,960)

Deferred outflows and inflows of resources relating to pensions: 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 of resources relating to pensions	4,896,242
Deferred inflows of resources relating to pensions	<u>(2,953,844)</u>

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred outflows of resources relating to OPEB	-
Deferred inflows of resources relating to OPEB	<u>(20,443)</u>

Net position of governmental activities - statement of net position \$ (16,198,755)

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 6,415,176	\$ -	\$ -	\$ 6,415,176
Education Protection Account Funds	2,187,534	-	-	2,187,534
Local Sources	4,955,302	-	-	4,955,302
Federal Revenue	780,706	-	472,535	1,253,241
Other State Revenue	1,347,857	17,413	19,393	1,384,663
Other Local Revenue	1,592,275	1,882,228	276,916	3,751,419
Total Revenues	<u>17,278,850</u>	<u>1,899,641</u>	<u>768,844</u>	<u>19,947,335</u>
Expenditures:				
Current:				
Instruction	10,285,923	-	-	10,285,923
Instruction - Related Services	1,268,057	-	-	1,268,057
Pupil Services	1,403,795	-	557,855	1,961,650
Community Services	228,631	-	-	228,631
General Administration	1,464,214	-	4,150	1,468,364
Plant Services	1,571,135	-	39,410	1,610,545
Other Outgo	38,498	-	-	38,498
Capital Outlay	700,729	-	-	700,729
Debt Service:				
Principal	452,914	575,238	-	1,028,152
Interest	69,941	1,117,762	168,286	1,355,989
Total Expenditures	<u>17,483,837</u>	<u>1,693,000</u>	<u>769,701</u>	<u>19,946,538</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(204,987)</u>	<u>206,641</u>	<u>(857)</u>	<u>797</u>
Other Financing Sources (Uses):				
Transfers In	-	-	30,282	30,282
Transfers Out	(30,282)	-	-	(30,282)
Total Other Financing Sources (Uses)	<u>(30,282)</u>	<u>-</u>	<u>30,282</u>	<u>-</u>
Net Change in Fund Balance	(235,269)	206,641	29,425	797
Fund Balance, July 1	2,417,154	1,885,632	94,562	4,397,348
Fund Balance, June 30	<u>\$ 2,181,885</u>	<u>\$ 2,092,273</u>	<u>\$ 123,987</u>	<u>\$ 4,398,145</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ 797

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	773,656	
Expenditures for capital outlay	(1,049,717)	
Depreciation expense		
Net:		(276,061)

Debt service: 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 reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,028,152

Unmatured interest on long-term debt: 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: 235,424

Pensions: 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: (318,736)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when the employer contributions are made. In the statement of activities, costs are measured and recognized in relation to the annual required contribution. The annual required contribution is the normal costs related to the current period plus a calculated amount necessary to systematically amortize any unfunded liability in accordance with generally accepted accounting principles. This year, the difference between the annual required contribution and amounts actually funded was: (55,963)

Other liabilities not normally liquidated with current financial resources. In the government-wide statements, expenses must be accrued in connection with liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 110,575

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: 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 plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: 5,941

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 19,018

Change in net position of governmental activities - statement of activities \$ 749,147

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 36,351
Total Assets	<u>36,351</u>
LIABILITIES:	
Due to Student Groups	\$ 36,351
Total Liabilities	<u>36,351</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

Alpine Union School District (District) accounts for its financial transactions in accordance with the policies and procedures of the 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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District operates under a locally elected Board form of government and provides educational services as mandated by the state. 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 the District, this includes general operations, food service, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependant 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. The District has no component units. Additionally the District is not a component unit of any other reporting entity as defined by GASB Statement 14, 39 and 61.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities 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.

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. The District does not allocate indirect expenses in the statement of activities. 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, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code sections 15125–15262).

In addition, the District reports the following fund types:

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

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The District has one agency fund, the student body fund, which is used to account for proceeds and expenditures of the student body organization.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using 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 for which the taxes are levied. Revenue from grants, entitlements, and donations 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. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

4. 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.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

5. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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 year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not 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, property taxes, interest, certain grants, and other local sources.

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

b. Expenses/Expenditures

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

7. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. 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 the 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. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Unearned Revenue

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

j. Minimum Fund Balance

The District maintains a minimum reserve, within the general fund, an amount not less than three percent or the amount required by state law. The minimum reserve shall apply towards the established three percent minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn which causes revenues to come in lower than budget. The reserve may be increased from time to time in order to address specific anticipated shortfalls. The District believes a reserve at this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties.

8. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

10. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

11. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

12. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note P. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note R.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

GASB 81 - Irrevocable Split-Interest Agreements

The primary objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 86 - Certain Debt Extinguishment Issues

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$4,139,513 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$4,139,513. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$44,092 as of June 30, 2018) and in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Cash with Fiscal Agent

The District's cash with fiscal agent at June 30, 2018 are shown below.

Account Type	Average Days to Maturity	Amount
Money Market Funds	<30 Days	\$ 3
Total Cash with Fiscal Agent		\$ 3

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

4. General Authorizations

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

5. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

b. Custodial Credit Risk - Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2018, the District's bank balances (including revolving cash) of were not exposed to this risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

6. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Accounts Receivable

Accounts receivable at June 30, 2018 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Funds			Total Governmental Funds
	General Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	
Federal Government:				
Special Education	\$ 299,265	\$ -	\$ -	\$ 299,265
Title I	103,529	-	-	103,529
Title II	284	-	-	284
Child Nutrition Program	-	-	21,157	21,157
State Government:				
Lottery	73,858	-	-	73,858
Special Education	7,432	-	-	7,432
Child Nutrition Program	-	-	1,634	1,634
Local Sources:				
Interest	10,852	-	520	11,372
Other Local Revenues	25,188	-	4,813	30,001
Total	<u>\$ 520,408</u>	<u>\$ -</u>	<u>\$ 28,124</u>	<u>\$ 548,532</u>

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,137,026	\$ -	\$ -	\$ 2,137,026
Total capital assets not being depreciated	<u>2,137,026</u>	<u>-</u>	<u>-</u>	<u>2,137,026</u>
Capital assets being depreciated:				
Buildings	24,389,037	-	-	24,389,037
Improvements	7,296,382	637,552	-	7,933,934
Equipment	1,305,130	136,103	-	1,441,233
Total capital assets being depreciated	<u>32,990,549</u>	<u>773,655</u>	<u>-</u>	<u>33,764,204</u>
Less accumulated depreciation for:				
Buildings	(11,671,231)	(615,819)	-	(12,287,050)
Improvements	(5,973,450)	(368,918)	-	(6,342,368)
Equipment	(1,122,782)	(64,980)	-	(1,187,762)
Total accumulated depreciation	<u>(18,767,463)</u>	<u>(1,049,717)</u>	<u>-</u>	<u>(19,817,180)</u>
Total capital assets being depreciated, net	<u>14,223,086</u>	<u>(276,062)</u>	<u>-</u>	<u>13,947,024</u>
Governmental activities capital assets, net	<u>\$ 16,360,112</u>	<u>\$ (276,062)</u>	<u>\$ -</u>	<u>\$ 16,084,050</u>

Depreciation was charged to functions as follows:

Instruction	\$ 854,926
Instruction-Related Services	122,005
Pupil Services	68,780
General Administration	3,306
Plant Services	700
	<u>\$ 1,049,717</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 31,459	Child nutrition fund contribution
Other Governmental Funds	General Fund	30,282	Reimbursement of expenses
	Total	<u>\$ 61,741</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	General Fund	\$ 30,282	Reimbursement of expenses
	Total	<u>\$ 30,282</u>	

G. Accounts Payable

Accounts payable at June 30, 2018 consisted of:

	Major Funds			Total Funds
	Fund	Bond Interest Fund	Nonmajor Funds	
Vendor payables	\$ 195,338	\$ -	\$ 27	\$ 195,365
LCFF due to grantor government	41,423	-	-	41,423
Payroll and related benefits	17,288	-	206	17,494
OPEB related liabilities	561	-	-	561
Pension related liabilities	139,618	-	1,367	140,985
Totals	<u>\$ 394,228</u>	<u>\$ -</u>	<u>\$ 1,600</u>	<u>\$ 395,828</u>

H. Unearned Revenue

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

	General Fund
Federal Government:	
Categorical Programs	\$ 18,501
State Government:	
Categorical Programs	<u>1,314</u>
Total	<u>\$ 19,815</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

The District participated in the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Series 2017 issued August 29, 2017. The notes due on June 30, 2018 bore an interest rate of 3.00%. The District's share of Tax and Revenue Anticipation Notes issued was \$1,005,000. The notes were issued to supplement cash flows of the district. The notes and interest were repaid by the district on June 30, 2018.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Revenue Anticipation Notes	\$ -	\$ 1,005,000	\$ 1,005,000	\$ -

J. Components of Ending Fund Balance

As of June 30, 2018 ending fund balance consisted of the following:

	Major Governmental Funds			Total Governmental Funds
	General Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	
Nonspendable Fund Balances				
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ 2,500
Stores Inventories	-	-	4,923	4,923
Total Nonspendable	<u>2,500</u>	<u>-</u>	<u>4,923</u>	<u>7,423</u>
Restricted Fund Balances				
Educational Programs	24,396	-	-	24,396
Capital Projects	9,550	-	96,273	105,823
Child Nutrition Program	-	-	22,791	22,791
Debt Service	-	2,092,273	-	2,092,273
Total Restricted	<u>33,946</u>	<u>2,092,273</u>	<u>119,064</u>	<u>2,245,283</u>
Unassigned Fund Balances				
For Economic Uncertainty	525,424	-	-	525,424
Other Unassigned	1,509,439	-	-	1,509,439
Total Unassigned	<u>2,034,863</u>	<u>-</u>	<u>-</u>	<u>2,034,863</u>
Total Fund Balance	<u>\$ 2,071,309</u>	<u>\$ 2,092,273</u>	<u>\$ 123,987</u>	<u>\$ 4,287,569</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

K. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 15,212,483	\$ 850,424	\$ 1,699,792	\$ 14,363,115	\$ 1,869,791
Capital leases	473,491	-	132,915	340,576	89,201
Total OPEB liability	4,454,999	35,520	-	4,490,519	-
Certificates of participation	3,201,493	-	316,149	2,885,344	306,149
Retirement incentive	442,300	-	110,575	331,725	110,575
Net pension liability	14,718,311	1,291,979	-	16,010,290	-
Compensated absences *	155,408	-	19,017	136,391	136,391
Total governmental activities	\$ 38,658,485	\$ 2,177,923	\$ 2,278,448	\$ 38,557,960	\$ 2,512,107

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Total OPEB liability	Governmental	General
Net pension liability	Governmental	General

2. General Obligation Bonds

General obligation bonds at June 30, 2018 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
1997-A Capital Appreciation	09/19/1997	5.40-5.50%	08/01/2022	\$ 2,410,605
1997-B Capital Appreciation	10/22/1999	5.60-6.15%	08/01/2024	3,664,286
Total GO Bonds				\$ 6,074,891

	Beginning Balance	Increases	Decreases	Ending Balance
1997-A Principal balance	\$ 2,091,959	\$ -	\$ 328,151	\$ 1,763,808
1997-A Accreted Interest	3,859,072	304,860	616,849	3,547,083
1997-A Bond Premium	17,302	-	2,884	14,418
1997-B Principal balance	3,113,687	-	247,087	2,866,600
1997-B Accreted Interest	6,075,200	545,564	497,913	6,122,851
1997-B Bond Premium	55,263	-	6,908	48,355
Total GO Bonds	\$ 15,212,483	\$ 850,424	\$ 1,699,792	\$ 14,363,115

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The annual requirements to amortize the bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Accreted		Interest	Total
	Principal	Interest		
2019	\$ 594,311	\$ 1,265,689	\$ -	\$ 1,860,000
2020	602,930	1,407,070	-	2,010,000
2021	599,395	1,515,605	-	2,115,000
2022	629,615	1,725,385	-	2,355,000
2023	979,233	2,950,767	-	3,930,000
2024-2028	1,224,924	4,310,076	-	5,535,000
Totals	\$ 4,630,408	\$ 13,174,592	\$ -	\$ 17,805,000

Note: Amounts represented in repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in debt summary are reflective of amounts that have accrued as of June 30, 2018.

3. Capital Leases

August 2006 the District entered into capital lease agreements for the purchase of solar panels. The leases require annual payments of principal and interest at a rate of 4.65% through August 2021.

April 2017 the District entered into a capital lease agreement with Pinnacle Inc for the purchase of computer equipment. The original lease was for \$175,000 with annual payments of principal and interest at a rate of 2.19% through April 2021.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 89,201	\$ 13,251	\$ 102,452
2020	92,504	9,946	102,450
2021	95,945	6,505	102,450
2022	62,926	2,927	65,853
Totals	\$ 340,576	\$ 32,629	\$ 373,205

4. Certificates of Participation

Certificates of participation at June 30, 2018 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2010 Series A Taxable COPs	06/16/2010	4.513-7.33%	04/15/2027	\$ 4,470,000
Total COPs				\$ 4,470,000
	Beginning Balance	Increases	Decreases	Ending Balance
2010 Series A Taxable COPs	\$ 3,240,000	\$ -	\$ 320,000	\$ 2,920,000
2010 Series A COPs Discount	(38,507)	-	(3,851)	(34,656)
Total COPs	\$ 3,201,493	\$ -	\$ 316,149	\$ 2,885,344

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Future commitments for certificates of participation as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 310,000	\$ 200,673	\$ 510,673
2020	320,000	181,515	501,515
2021	305,000	161,099	466,099
2022	310,000	141,030	451,030
2023	315,000	120,012	435,012
2024-2028	1,360,000	260,176	1,620,176
Totals	\$ <u>2,920,000</u>	\$ <u>1,064,505</u>	\$ <u>3,984,505</u>

5. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond as interest.

Premium issued on the bonds resulted in an effective interest rate as follows:

	<u>1997 Series A Bonds</u>	<u>1997 Series B Bonds</u>
Total Interest Payments on Bond	\$ 5,524,395	\$ 10,263,211
Less Bond Premium	(72,093)	(172,697)
Net Interest Payments	\$ <u>5,452,302</u>	\$ <u>10,090,514</u>
Par amount of Bonds	\$ 2,410,605	\$ 3,664,286
Periods	25	25
Effective Interest Rate	9.047%	11.015%

6. COPs Discount

COPs discount arises when the market rate of interest is lower than the stated interest rate on the debt. Generally Accepted Accounting Principles (GAAP) require that the discount decrease the face value of the debt and then amortize the discount over the life of the debt as interest.

Discounts issued on the COPs resulted in an effective interest rate as follows:

	<u>2010 Series A COPs</u>
Total Interest Payments on COPs	\$ 3,229,510
Plus COPs Discount	65,463
Net Interest Payments	\$ <u>3,294,973</u>
Par amount of COPs	\$ 4,470,000
Periods	17
Effective Interest Rate	4.336%

7. Retirement Incentive

During the 2015-16 fiscal year the District offered a retirement incentive to eligible employees. The incentive calls for lump sum payments to retirement accounts for employees who took advantage of the offer equal to 65% of their final pay. 10 retirees took advantage of the incentive for a total cost to the District of \$552,875. The payments for the retirement incentive are made over a five year period.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

L. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) and the San Diego County Fringe Benefits Consortium (FBC). The relationship between the District and the JPAs is such that the JPAs are not component units of the District.

The JPAs arrange for and provide for various types of insurances for its member districts as requested. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

Combined condensed unaudited financial information of the District's share of the JPAs for the year ended June 30, 2018 is as follows:

	<u>SDCSRM</u>	<u>FBC</u>	<u>Total</u>
Total Assets	\$ 3,632	\$ 165,866	\$ 169,498
Total Liabilities	-	68,744	68,744
Total Fund Balance	<u>\$ 3,632</u>	<u>\$ 97,122</u>	<u>\$ 100,754</u>
Total Cash Receipts	\$ 4,103	\$ 94,124	\$ 98,227
Total Cash Disbursements	172	84,585	84,757
Net Change in Fund Balance	<u>\$ 3,931</u>	<u>\$ 9,539</u>	<u>\$ 13,470</u>

M. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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 the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	50-62
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.455%	7.455%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.5%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

*Amounts are limited to 120% of Social Security Wage Base.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 7.455% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.660%	\$ 328,635
2017	6.180%	432,905
2018	7.455%	523,599

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	\$ 627,720
2017	1,068,400
2018	318,174

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 881,718	\$ 280,283	\$ 1,162,001
Contributions - State On Behalf Payments	523,600	-	523,600
Total Contributions	<u>\$ 1,405,318</u>	<u>\$ 280,283</u>	<u>\$ 1,685,601</u>

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liability - Governmental	<u>\$ 12,259,182</u>	<u>\$ 3,751,108</u>	<u>\$ 16,010,290</u>

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, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 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, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	District's Proportionate Share	CalSTRS State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.0142%	0.0081%	0.0223%
Proportion June 30, 2018	0.0133%	0.0079%	0.0212%
Change in Proportion	<u>-0.0009%</u>	<u>-0.0002%</u>	<u>-0.0011%</u>

	CalPERS District's Proportionate Share
Proportion June 30, 2017	0.0164%
Proportion June 30, 2018	0.0157%
Change in Proportion	<u>-0.0007%</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 777,794	\$ 514,187	\$ 1,291,981
State On Behalf Pension Expense	318,174	-	318,174
Employer Contributions to Pension Expense	1,013,459	332,030	1,345,489
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(132,493)	(50,594)	(183,087)
Differences between actual and expected experiences	(42,313)	(17,548)	(59,861)
Changes in assumptions	(2,119,687)	(584,435)	(2,704,122)
Changes in proportionate share	-	12,251	12,251
Net difference between projected and actual earnings	952	227,765	228,717
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(908)	-	(908)
Changes in assumptions	-	(38,911)	(38,911)
Changes in proportionate share	429,389	70,282	499,671
Net difference between projected and actual earnings	1,160,271	112,736	1,273,007
Total Pension Expense	<u>\$ 1,404,638</u>	<u>\$ 577,763</u>	<u>\$ 1,982,401</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 1,013,459	\$ 332,030	\$ 1,345,489
Differences between actual and expected experience	42,313	178,589	220,902
Changes in assumptions	2,119,687	584,435	2,704,122
Changes in employer's proportionate share	-	36,751	36,751
Net difference between projected and actual earnings	2,362	586,616	588,978
Total Deferred Outflows of Resources	<u>\$ 3,177,821</u>	<u>\$ 1,718,421</u>	<u>\$ 4,896,242</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (1,443)	\$ -	\$ (1,443)
Changes in assumptions	-	(77,823)	(77,823)
Changes in employer's proportionate share	(1,078,518)	(180,062)	(1,258,580)
Net difference between projected and actual earnings	(1,160,271)	(455,727)	(1,615,998)
Total Deferred Inflows of Resources	<u>\$ (2,240,232)</u>	<u>\$ (713,612)</u>	<u>\$ (2,953,844)</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Governmental Activities					Net Effect on Expenses
	Deferred Outflows of Resources		Deferred Inflows of Resources			
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2019	\$ 1,554,911	\$ 784,177	\$ (621,363)	\$ (344,778)	\$ 1,372,947	
2020	541,451	452,146	(620,914)	(173,281)	199,402	
2021	540,959	319,276	(555,934)	(97,777)	206,524	
2022	540,500	162,822	(442,021)	(97,776)	163,525	
Total	\$ 3,177,821	\$ 1,718,421	\$ (2,240,232)	\$ (713,612)	\$ 1,942,398	

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date Measurement Date Actuarial Cost Method Actuarial Assumptions:	CalSTRS	CalPERS
	June 30, 2016	June 30, 2016
	June 30, 2017	June 30, 2017
	Entry Age Normal	Entry Age Normal
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.75%
Wage Growth	3.50%	3.00%
Projected Salary Increase	0.5% - 6.4% (1)	3.10% - 9.00% (1)
Investment Rate of Return	7.10% (2)	7.50% (2)
Mortality	0.073%-22.86% (3)	0.466%-32.536% (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and 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 quarter of one percent.

The tables 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.

CalSTRS		
Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CalPERS			
Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents 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	6.10%	6.15%
Net Pension Liability	\$ 18,000,370	\$ 5,519,082
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 12,259,182	\$ 3,751,108
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 7,599,818	\$ 2,284,426

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	\$ 60,250,326	\$ 42,201,383	\$ 18,048,943	\$ 6,567,554	\$ 11,481,389
Changes for the year:					
Change in proportionate share	(3,205,848)	(2,245,485)	(960,363)	(200,586)	(759,777)
Service cost	1,281,202	-	1,281,202	477,358	803,844
Interest	4,273,561	-	4,273,561	1,592,269	2,681,292
Differences between expected and actual experience	84,301	-	84,301	31,409	52,892
Change in assumptions	4,223,065	-	4,223,065	1,573,455	2,649,610
Contributions:					
Employer	-	881,721	(881,721)	(328,517)	(553,204)
Employee	-	726,990	(726,990)	(270,866)	(456,124)
State On Behalf	-	523,600	(523,600)	(195,086)	(328,514)
Net investment income	-	5,316,899	(5,316,899)	(1,981,003)	(3,335,896)
Other income	-	15,213	(15,213)	(5,668)	(9,545)
Benefit payments, including refunds of employee contributions	(2,937,329)	(2,937,329)	-	-	-
Administrative expenses	-	(38,530)	38,530	14,356	24,174
Borrowing costs	-	(12,245)	12,245	4,562	7,683
Other expenses	-	(2,166)	2,166	807	1,359
Net Changes	3,718,952	2,228,668	1,490,284	712,490	777,794
Balance at June 30, 2018	\$ 63,969,278	\$ 44,430,051	\$ 19,539,227	\$ 7,280,044	\$ 12,259,183

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 12,400,733	\$ 9,163,812	\$ 3,236,921
Changes for the year:			
Adjustment for change in proportionate share	(511,802)	(378,208)	(133,594)
Service cost	319,275	-	319,275
Interest	898,758	-	898,758
Differences between expected and actual experience	83,571	-	83,571
Changes in assumptions	730,544	-	730,544
Contributions - Employer	-	280,279	(280,279)
Contributions - Employee	-	141,014	(141,014)
Net plan to plan resource movement	-	(21)	21
Net investment income	-	976,057	(976,057)
Benefit payments, including refunds of employee contributions	(585,295)	(585,295)	-
Administrative expenses	-	(12,962)	12,962
Net Changes	935,051	420,864	514,187
Balance at June 30, 2018	\$ 13,335,784	\$ 9,584,676	\$ 3,751,108

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

O. Postemployment Benefits Other Than Pension Benefits

1. General Information About the OPEB Plan

Plan Description & Plan Eligibility

The District's defined benefit OPEB plan, Alpine Union School District Retiree Health Care Plan (the Plan) provides OPEB for retirees and their eligible dependents that meet eligibility requirements until age 65. Retirees and their eligible dependents in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

The postretirement health plans and the District's obligation vary by employee group as described below:

Classified Employees: The District provides retiree medical including prescription drug benefits to eligible retirees for a maximum period of 10 years or to attainment of age 65, if earlier. Eligibility for retiree health benefits requires retirement under PERS (on or after age 50) with at least 10 years of District eligible service. The District's contribution is 100% of the contribution toward health benefits for a retiree only coverage regardless of the medical plan elected by the retiree. The District does not provide any retiree health benefits for coverage beyond age 65.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Certificated Employees: The District provides retiree medical including prescription drug benefits to eligible retirees for a maximum period of 10 years or to attainment of age 65, if earlier. Eligibility for retiree health benefits requires retirement under STRS (on or after age 55) with at least 10 years of District eligible service. The District's contribution is 100% of the contribution toward health benefits for a retiree only coverage regardless of the medical plan elected by the retiree. The District does not provide any retiree health benefits for coverage beyond age 65.

Management & Confidential Employees: The District provides retiree medical including prescription drug benefits to eligible retirees for a maximum period of 10 years or to attainment of age 65, if earlier. Eligibility for retiree health benefits requires retirement under STRS/PERS with at least 10 years of District eligible service. The District's contribution is 100% of the contribution toward health benefits for a retiree only coverage regardless of the medical plan elected by the retiree. The District does not provide any retiree health benefits for coverage beyond age 65.

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	34
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	137
Total number of participants	<u>171</u>

2. Total OPEB Liability

The District's total OPEB liability of \$4,490,519 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.50% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 4,454,999
Changes for the year:	
Service cost	265,736
Interest	154,401
Changes in assumptions or other inputs	(25,554)
Benefit payments	<u>(359,063)</u>
Net changes	<u>35,520</u>
Balance at June 30, 2018	\$ <u>4,490,519</u>

There were no changes in benefit terms for the fiscal year ended June 30, 2018.

Changes in assumptions or other inputs for the fiscal year ended June 30, 2018 consisted of a change in the discount rate to 3.50%.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point-higher (4.13%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Discount Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Total OPEB Liability	\$ 4,753,420	\$ 4,490,519	\$ 4,243,508

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.00% decreasing to 4.00% per year) or 1-percentage-point higher (7.00% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease</u> <u>5.50%</u> <u>decreasing to</u> <u>4.00%</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rate</u> <u>6.50%</u> <u>decreasing to</u> <u>5.00%</u>	<u>1% Increase</u> <u>7.50%</u> <u>decreasing to</u> <u>6.00%</u>
Total OPEB Liability	\$ 4,138,746	\$ 4,490,519	\$ 4,890,225

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

For the year ended June 30, 2018 the District recognized OPEB expense of \$415,026. At June 30, 2018 the District reported deferred inflows of resources related to the following sources:

	Deferred Inflows of Resources
Changes of assumptions	\$ <u>20,443</u>

At June 30, 2018 the District did not report any deferred outflows of resources relating to OPEB.

Deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Decrease in OPEB Expense
2019	\$ 5,111
2020	5,111
2021	5,111
2022	5,110
Total	\$ <u>20,443</u>

P. Deferred Outflows of Resources

GASB Statement No. 68 requires certain items related to net pension liability be recorded as deferred outflows of resources and amortized over five years. Further detail on the items accumulated as pension related deferred outflows of resources is available in the pension note disclosure.

GASB Statement No. 71 requires that contributions of pension plans subsequent to the measurement date be recorded as deferred outflows of resources. Pension related deferred outflows of resources as of year end are representative of contributions made after the measurement date.

A summary of deferred outflows of resources as of June 30, 2018 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension Related	Varies	Varies	\$ 2,190,141	\$ 4,862,104	\$ 2,156,003	\$ 4,896,242
Total Deferred Outflows of Resources			<u>\$ 2,190,141</u>	<u>\$ 4,862,104</u>	<u>\$ 2,156,003</u>	<u>\$ 4,896,242</u>

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	Pension Related
2019	2,339,088
2020	993,597
2021	860,235
2022	703,322
Total	\$ <u>4,896,242</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Q. Deferred Inflows of Resources

Consistent with the requirements of GASB Statement No. 68, the pension related deferred inflows of resources have been recorded for changes in assumptions, change in employer's proportionate share, and the net difference between projected and actual earnings on investments.

Consistent with the requirements of GASB Statement No. 75, the OPEB related deferred inflows of resources have been recorded for changes in assumptions.

A summary of the deferred inflows of resources as of June 30, 2018 is as follows:

Description	Amortization Term	Beginning Balance	Additions	Current Year Amortization	Ending Balance
OPEB related	Varies	\$ -	\$ 25,554	\$ 5,111	\$ 20,443
Pension related	Varies	1,220,985	2,699,000	966,141	2,953,844
Total Deferred Inflows of Resources		<u>\$ 1,220,985</u>	<u>\$ 2,724,554</u>	<u>\$ 971,252</u>	<u>\$ 2,974,287</u>

Future amortization of deferred inflows of resources is as follows:

Teay Ending June 30	Pension Related	OPEB Related	Total
2018	\$ 966,141	\$ 5,111	\$ 971,252
2019	794,195	5,111	799,306
2020	653,711	5,111	658,822
2021	539,797	5,110	544,907
Total	<u>\$ 2,953,844</u>	<u>\$ 20,443</u>	<u>\$ 2,974,287</u>

R. Adjustment to Beginning Balance

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements.

In addition, the District is correcting an inadvertant error in excluding a retirement incentive financed over a five year period from long term liabilities on the government wide financial statements.

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements
Beginning Net Position - Originally Stated	\$ <u>(13,788,733)</u>
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(2,716,869)
Adjustments for Correction of an Error	
Retirement Incentive Liability	(442,300)
Total Adjustments	<u>(3,159,169)</u>
Beginning Net Position - As Restated	\$ <u>(16,947,902)</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

S. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

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.

T. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

Issuance of Short-Term Debt

The District is participating in the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Series 2018 issued August 15, 2018. The notes due on June 30, 2019 bear an interest rate of 4.00%. The District's share of Tax and Revenue Anticipation Notes issued is \$925,000. The notes were issued to supplement cash flows of the district. The notes and interest will be repaid by the district on or before June 30, 2019.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

ALPINE UNION SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 7,010,270	\$ 6,945,462	\$ 6,415,176	\$ (530,286)
Education Protection Account Funds	2,016,086	1,985,555	2,187,534	201,979
Local Sources	4,681,274	4,681,274	4,955,302	274,028
Federal Revenue	635,324	685,537	780,706	95,169
Other State Revenue	1,438,759	1,360,482	1,347,857	(12,625)
Other Local Revenue	1,450,652	1,478,789	1,592,275	113,486
Total Revenues	<u>17,232,365</u>	<u>17,137,099</u>	<u>17,278,850</u>	<u>141,751</u>
Expenditures:				
Current:				
Certificated Salaries	7,224,778	7,181,130	7,322,967	(141,837)
Classified Salaries	2,734,876	2,706,119	2,621,080	85,039
Employee Benefits	3,879,671	3,859,629	3,680,148	179,481
Books And Supplies	628,801	938,186	735,866	202,320
Services And Other Operating Expenditures	2,160,878	1,600,846	1,900,192	(299,346)
Capital Outlay	156,169	704,600	700,729	3,871
Debt Service:				
Principal	456,356	456,356	452,914	3,442
Interest	72,984	72,984	69,941	3,043
Total Expenditures	<u>17,314,513</u>	<u>17,519,850</u>	<u>17,483,837</u>	<u>36,013</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(82,148)</u>	<u>(382,751)</u>	<u>(204,987)</u>	<u>177,764</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(30,282)	(30,282)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(30,282)</u>	<u>(30,282)</u>
Net Change in Fund Balance	(82,148)	(382,751)	(235,269)	147,482
Fund Balance, July 1	2,417,154	2,417,154	2,417,154	-
Fund Balance, June 30	<u>\$ 2,335,006</u>	<u>\$ 2,034,403</u>	<u>\$ 2,181,885</u>	<u>\$ 147,482</u>

See Accompanying Notes to Required Supplementary Information.

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0133%	0.0142%	0.0150%	0.0156%	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of net pension liability (asset) associated with the District	0.0079%	0.0092%	0.0095%	0.0099%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 12,259,182	\$ 11,481,390	\$ 10,126,040	\$ 9,112,358	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	7,279,980	7,441,071	6,395,772	5,785,246	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 19,539,162</u>	<u>\$ 18,922,461</u>	<u>\$ 16,521,812</u>	<u>\$ 14,897,604</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's covered-employee payroll	\$ 7,008,887	\$ 7,052,767	\$ 6,950,619	\$ 6,909,600	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,013,458	\$ 881,718	\$ 756,762	\$ 617,215	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(1,013,458)	(881,718)	(756,762)	(617,215)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 7,023,269	\$ 7,008,887	\$ 7,052,767	\$ 6,950,619	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0157%	0.0164%	0.0160%	0.0176%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 3,751,108	\$ 3,236,921	\$ 2,354,564	\$ 1,996,391	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 2,018,167	\$ 1,984,704	\$ 1,776,399	\$ 1,849,039	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 332,030	\$ 280,283	\$ 235,128	\$ 209,100	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(332,030)	(280,283)	(235,128)	(209,100)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 2,137,856	\$ 2,018,167	\$ 1,984,705	\$ 1,776,400	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 AUSD RETIREE HEALTHCARE PLAN
 LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 265,736	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	154,401	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	(25,554)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(359,063)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	35,520	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	4,454,999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 4,490,519</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered-employee payroll	\$ 8,680,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total OPEB liability as a percentage of covered-employee payroll	51.73%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

ALPINE UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries	\$ 141,837	The District underestimated the increase from bargaining agreement increases.
Services & Other	299,346	The District underestimated the cost of other services.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Schedule of District's Proportionate Share - California State Teachers' Retirement System

- 1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions - California State Teachers' Retirement System

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015 & 2016 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increases	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

Schedule of District's Proportionate Share - California Public Employees Retirement System

- 1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits
- 2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increases	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

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

- 1) Benefit Changes: In 2018 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.50%

Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

ALPINE UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Fund		Total Nonmajor Governmental Funds (See Exhibit A-3)
	Cafeteria Fund	Capital Projects Funds	
ASSETS:			
Cash in County Treasury	\$ 250	\$ 92,696	\$ 92,946
Cash on Hand and in Banks	768	-	768
Cash with a Fiscal Agent/Trustee	-	3	3
Accounts Receivable	24,550	3,574	28,124
Due from Other Funds	30,282	-	30,282
Stores Inventories	4,923	-	4,923
Total Assets	<u>60,773</u>	<u>96,273</u>	<u>157,046</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 1,600	\$ -	\$ 1,600
Due to Other Funds	31,459	-	31,459
Total Liabilities	<u>33,059</u>	<u>-</u>	<u>33,059</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	4,923	-	4,923
Restricted Fund Balances	22,791	96,273	119,064
Total Fund Balance	<u>27,714</u>	<u>96,273</u>	<u>123,987</u>
Total Liabilities and Fund Balances	<u>\$ 60,773</u>	<u>\$ 96,273</u>	<u>\$ 157,046</u>

ALPINE UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Fund		Total Nonmajor Governmental Funds (See Exhibit A-5)
	Cafeteria Fund	Capital Projects Funds	
Revenues:			
Federal Revenue	\$ 304,249	\$ 168,286	\$ 472,535
Other State Revenue	19,393	-	19,393
Other Local Revenue	191,986	84,930	276,916
Total Revenues	<u>515,628</u>	<u>253,216</u>	<u>768,844</u>
Expenditures:			
Current:			
Pupil Services	557,855	-	557,855
General Administration	-	4,150	4,150
Plant Services	-	39,410	39,410
Debt Service:			
Interest	-	168,286	168,286
Total Expenditures	<u>557,855</u>	<u>211,846</u>	<u>769,701</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(42,227)</u>	<u>41,370</u>	<u>(857)</u>
Other Financing Sources (Uses):			
Transfers In	30,282	-	30,282
Total Other Financing Sources (Uses)	<u>30,282</u>	<u>-</u>	<u>30,282</u>
Net Change in Fund Balance	(11,945)	41,370	29,425
Fund Balance, July 1	39,659	54,903	94,562
Fund Balance, June 30	<u>\$ 27,714</u>	<u>\$ 96,273</u>	<u>\$ 123,987</u>

ALPINE UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash in County Treasury	\$ -	\$ 92,696	\$ 92,696
Cash with a Fiscal Agent/Trustee	3	-	3
Accounts Receivable	-	3,574	3,574
Total Assets	<u>3</u>	<u>96,270</u>	<u>96,273</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ 3	\$ 96,270	\$ 96,273
Total Fund Balance	<u>3</u>	<u>96,270</u>	<u>96,273</u>
Total Liabilities and Fund Balances	<u>\$ 3</u>	<u>\$ 96,270</u>	<u>\$ 96,273</u>

ALPINE UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 168,286	\$ -	\$ 168,286
Other Local Revenue	-	84,930	84,930
Total Revenues	<u>168,286</u>	<u>84,930</u>	<u>253,216</u>
Expenditures:			
Current:			
General Administration	-	4,150	4,150
Plant Services	-	39,410	39,410
Debt Service:			
Interest	168,286	-	168,286
Total Expenditures	<u>168,286</u>	<u>43,560</u>	<u>211,846</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>41,370</u>	<u>41,370</u>
Net Change in Fund Balance	-	41,370	41,370
Fund Balance, July 1	3	54,900	54,903
Fund Balance, June 30	<u>\$ 3</u>	<u>\$ 96,270</u>	<u>\$ 96,273</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

ALPINE UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

The Alpine Union School District was established in 1931. There were no changes to the boundaries of the district during the current fiscal year. The district is currently operating one elementary school for kindergarten students, three elementary schools for grades one through five, one middle school, one community day school, and one alternative education home school.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Glenn Dickie	President	Four year term Expires December 2018
Eric Wray	Vice President	Four year term Expires December 2018
Al Guerra	Clerk	Four year term Expires December 2018
Travis Lyon	Member	Four year term Expires December 2020
Joseph Perricone	Member	Four year term Expires December 2020

Administration

Richard Newman, Ed.D.
Superintendent

Bobbi Burkett, Ed.D.
Assistant Superintendent of
Human Resources and
Student Services

David Graves
Chief Business Officer

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2018

TABLE D-1

	Second Period Report Certificate #79D561D5		Annual Report Certificate #718C7A81	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	774.40	N/A	778.56	N/A
Extended Year Special Education	2.94	N/A	2.94	N/A
TK/K-3 Totals	<u>777.34</u>	<u>N/A</u>	<u>781.50</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	520.56	N/A	518.13	N/A
Extended Year Special Education	0.89	N/A	0.89	N/A
Grades 4-6 Totals	<u>521.45</u>	<u>N/A</u>	<u>519.02</u>	<u>N/A</u>
Grades 7-8:				
Regular ADA	330.98	N/A	329.78	N/A
Extended Year Special Education	0.41	N/A	0.41	N/A
Grades 7-8 Totals	<u>331.39</u>	<u>N/A</u>	<u>330.19</u>	<u>N/A</u>
ADA totals	<u><u>1,630.18</u></u>	<u><u>N/A</u></u>	<u><u>1,630.71</u></u>	<u><u>N/A</u></u>

N/A - There were no findings which resulted in revisions to the second period or annual report of attendance.

Average daily attendance 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.

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2018

TABLE D-2

Grade Level	Ed. Code Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	49,710	180	-	Complied
Kindergarten	36,000	49,710	180	-	Complied
Grade 1	50,400	53,950	180	-	Complied
Grade 2	50,400	53,950	180	-	Complied
Grade 3	50,400	53,950	180	-	Complied
Grade 4	54,000	56,500	180	-	Complied
Grade 5	54,000	56,500	180	-	Complied
Grade 6	54,000	58,373	180	-	Complied
Grade 7	54,000	58,720	180	-	Complied
Grade 8	54,000	58,720	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46207. The District neither met nor exceeded its target funding.

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2018

TABLE D-3

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	\$ 17,665,644	\$ 17,278,850	\$ 17,173,259	\$ 16,686,726
Expenditures, other uses and transfers out	17,020,489	17,514,119	16,167,326	16,322,749
Change in fund balance (deficit)	645,155	(235,269)	1,005,933	363,977
Ending fund balance	<u>\$ 2,827,040</u>	<u>\$ 2,181,885</u>	<u>\$ 2,417,154</u>	<u>\$ 1,411,221</u>
Available reserves (See Note 2)	<u>\$ 2,793,094</u>	<u>\$ 2,145,439</u>	<u>\$ 1,700,328</u>	<u>\$ 1,036,005</u>
Available reserves as a percentage of total outgo (See Note 3)	<u>16.4%</u>	<u>12.6%</u>	<u>10.8%</u>	<u>6.5%</u>
Total long-term debt	<u>\$ 16,122,789</u>	<u>\$ 17,589,036</u>	<u>\$ 18,887,467</u>	<u>\$ 19,805,574</u>
Average daily attendance at P-2	<u>1,514</u>	<u>1,630</u>	<u>1,670</u>	<u>1,629</u>

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.

The fund balance of the general fund has increased by \$770,664 (54.61%) over the past two years. The fiscal year 2018-19 budget projects an increase of \$645,155 (31.15%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by \$2,216,538 over the past two years.

Average daily attendance has increased by 1 over the past two years.

Notes:

- 1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$430,811, \$492,370, and \$390,398, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.

ALPINE UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

TABLE D-4

	Cafeteria Fund
June 30, 2018, annual financial and budget report fund balances	\$ <u>4,923</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts receivable understatement	<u>22,791</u>
Net adjustments and reclassifications	<u>22,791</u>
June 30, 2018, audited financial statement fund balances	\$ <u><u>27,714</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

TABLE D-5

No charter schools are chartered by Alpine Union School District.

<u>Charter Schools</u>	<u>Charter Number</u>	<u>Included In Audit?</u>
None	N/A	N/A

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 63,958
National School Lunch Program	10.555	13396	-	188,543
Noncash Commodities	10.555	13396	-	51,749
Total Passed Through State Department of Education			-	304,250
Total U. S. Department of Agriculture			-	304,250
Total Child Nutrition Cluster			-	304,250
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	298,981
IDEA Preschool Local	84.027	13682	-	56,472
IDEA Preschool Grants	84.173	13430	-	64,639
IDEA Preschool Staff Development	84.173	13431	-	160
Total Passed Through State Department of Education			-	420,252
Total U. S. Department of Education			-	420,252
Total Special Education (IDEA) Cluster			-	420,252
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I	84.010	14329	-	249,458
Impact Aid - P.L. 81.874	84.041	10015	-	67,047
Indian Education	84.060	10011	-	15,049
Workability	84.126	10006	-	34,419
Title II Supporting Effective Instruction	84.367	14341	-	37,704
Total Passed Through State Department of Education			-	403,677
Total U. S. Department of Education			-	403,677
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,128,179

The accompanying notes are an integral part of this schedule.

ALPINE UNION SCHOOL DISTRICT

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

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Alpine Union School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 7.39% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Title II	84.367	7.33%
Child Nutrition Cluster	10.553, 10.555	0.00%

Schoolwide Program

The District does not operate a "schoolwide program" at any school sites.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Other Independent Auditor's Reports



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Alpine Union School District
Alpine, California 91901

Members of the Board of Trustees:

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 Alpine Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Alpine Union School District's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alpine Union 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 Alpine Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alpine Union School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + LLP

El Cajon, California
December 13, 2018



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Alpine Union School District
Alpine, California 91901

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Alpine Union 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 the Alpine Union School District's major federal programs for the year ended June 30, 2018. Alpine Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alpine Union 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 the Alpine Union 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 the Alpine Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Alpine Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Alpine Union 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 the Alpine Union 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 Alpine Union School District's internal control over compliance.

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

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

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

Wilkinson Hadley King + LLP

El Cajon, California
December 13, 2018



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on State Compliance

Board of Trustees
Alpine Union School District
Alpine, California 91901

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction.....	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
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	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Alpine Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + LLP

El Cajon, California
December 13, 2018

Findings and Recommendations Section

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? Yes No

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

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

ALPINE UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p data-bbox="151 373 415 436">Finding 2017-001 Instructional Materials</p> <p data-bbox="151 470 782 688">In our review of the public notice given for the instructional materials sufficiency, we found that there was no official public notice given. The resolution the board would vote on was provided in lieu of a public notice. However, the resolution did not have all the required elements of the public notice as outlined in Code Section 60119.</p> <p data-bbox="151 722 782 819">We recommended the District implement procedures to ensure that appropriate public notices are being provided when required by law.</p>	<p data-bbox="841 787 1047 819">Implemented</p>	