

**ALPINE UNION SCHOOL DISTRICT  
COUNTY OF SAN DIEGO  
ALPINE, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2017**

**Wilkinson Hadley King & Co. LLP  
CPAs and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020**

## Introductory Section

Alpine Union School District  
 Audit Report  
 For The Year Ended June 30, 2017

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## Financial Section



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**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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**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, 2017, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions 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, *2016-17 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 January 31, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpine Union School District's internal control over financial reporting and compliance.

*Wilkinson Hadley King & Co. LLP*

El Cajon, California  
January 31, 2017



ALPINE UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

This discussion and analysis of the Alpine Union School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the district's financial performance.

#### USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Alpine Union School District as a complex financial entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Alpine Union School District does not operate any business-type activities, so the information presented is solely for governmental activities.

The Statement of Net position and Statement of Activities provide information about the activities of the whole 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.

#### FINANCIAL HIGHLIGHTS

Key financial highlights for 2016-17 are as follows:

- Total net position is \$(13,788,733)
- Unrestricted net position is \$(17,633,380)
- Outstanding capital lease debt increased from \$429,847 to \$473,490
- Outstanding general obligation bond debt decreased from \$15,853,085 to \$15,212,483.
- Outstanding certificates of participation decreased from \$3,522,642 to \$3,201,493

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual audit report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements which present both a view of the district as a whole, and individual fund statements that focus on various parts of the district's operations in more detail. The financial statements also include notes that explain some of the information presented 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.

## REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

### *Statement of Net Position and Statement of Activities*

While this document contains several funds used by the district to provide programs and activities, the view of the district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016-17?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

These two statements report the district's net position and changes in net position. This change in net position is important because it tells the reader whether, for the district as a whole, the financial position of the district has improved or diminished.

In the Statement of Net Position and the Statement of Activities, the district is presented in just one kind of activity, Governmental Activities. All the district's programs and services are reported here including instructional, support services, and operation and maintenance of plant and facilities. The district does not operate any business-type activities, so none are presented here.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT INDIVIDUAL FUNDS

### *Fund Financial Statements*

Major Funds: The analysis of the districts major funds is included in the audit report. Fund financial reports provide detailed information about the district's major funds. The district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the most significant funds. The major governmental fund, which accounts for most of the day-to-day programs and services provided by the district, is the General Fund. In addition, the Cafeteria Fund, which accounts for activities of the Child Nutrition Program, and the Bond Interest and Redemption Fund, which accounts for debt service payments, are considered a major funds.

Governmental Funds: Most of the district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the district's general government operations and the basic services it provides. Governmental fund information helps you determine the financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

ALPINE UNION SCHOOL DISTRICT AS A COMPLETE FINANCIAL ENTITY

Recall that the Statement of Net Position provides the perspective of the district as a whole. Table I provides a summary of the district's net position.

**Table I**  
Statement of Net Position  
As of June 30, 2017

	2016	2017	Change	% Change
<b>Assets</b>				
Cash	\$ 2,808,185	\$ 4,237,068	\$ 1,428,883	50.88%
Receivables	779,157	380,406	(398,751)	-51.18%
Stores Inventory	7,246	6,632	(614)	-8.47%
Prepaid Expenses	110,575	110,575	-	100.00%
Capital Assets:				
Land	2,137,026	2,137,026	-	0.00%
Improvements	7,296,382	7,296,382	-	0.00%
Buildings	24,389,037	24,389,037	-	0.00%
Equipment	1,305,129	1,305,129	-	0.00%
Less Accumulated Depreciation	(17,746,688)	(18,767,463)	(1,020,775)	5.75%
Total Assets	<u>21,086,049</u>	<u>21,094,792</u>	<u>8,743</u>	<u>0.04%</u>
<b>Deferred Outflows of Resources</b>	<u>1,539,372</u>	<u>2,190,140</u>	<u>650,768</u>	<u>42.27%</u>
<b>Liabilities</b>				
Accounts Payable	458,195	333,548	(124,647)	-27.20%
Unearned Revenue	5,921	19,815	13,894	234.66%
Long-Term Liabilities:				
Due Within One Year	2,110,268	2,304,264	193,996	9.19%
Due in More Than One Year	<u>32,025,993</u>	<u>33,195,053</u>	<u>1,169,060</u>	<u>3.65%</u>
Total Liabilities	<u>34,600,377</u>	<u>35,852,680</u>	<u>1,252,303</u>	<u>3.62%</u>
<b>Deferred Inflows of Resources</b>	<u>1,079,851</u>	<u>1,220,985</u>	<u>141,134</u>	<u>13.07%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	(2,424,688)	1,147,627	3,572,315	-147%
Restricted For:				
Capital Projects	133,928	54,903	(79,025)	-59%
Debt Service	1,830,567	1,885,632	55,065	3%
Educational Programs	154,139	167,921	13,782	9%
Other Purposes (Expendable)	25,558	468,857	443,299	100%
Other Purposes (Nonexpendable)	120,321	119,707	(614)	-1%
Unrestricted	<u>(12,894,632)</u>	<u>(17,633,380)</u>	<u>(4,738,748)</u>	<u>37%</u>
Total Net Position	<u>\$ (13,054,807)</u>	<u>\$ (13,788,733)</u>	<u>\$ (733,926)</u>	<u>5.62%</u>

Revenue in the Governmental Funds is divided into general revenue, which funds the basic ongoing instructional program and related support services, and program revenue, which funds specific program activities that support the children enrolled in Alpine's schools.

**Table II**  
Government-Wide Revenue  
For the Year Ended June 30, 2017

	2016	2017	Change	% Change
<b>Program Revenue</b>				
Charges for Services	\$ 244,953	\$ 235,495	\$ (9,458)	-3.86%
Operating Grants & Contributions	2,558,133	2,532,799	(25,334)	-0.99%
Total Program Revenue	<u>2,803,086</u>	<u>2,768,294</u>	<u>(34,792)</u>	<u>-1.24%</u>
<b>General Revenue</b>				
Taxes and Subventions	6,097,778	6,360,871	263,093	4.31%
Federal & State Aid, Not Restricted	9,304,690	9,345,057	40,367	0.43%
Interest and Investment Earnings	40,715	55,162	14,447	35.48%
Miscellaneous Revenue	657,053	634,921	(22,132)	-3.37%
Total General Revenue	<u>16,100,236</u>	<u>16,396,011</u>	<u>295,775</u>	<u>1.84%</u>
<b>Total Revenue</b>	<u>\$ 18,903,322</u>	<u>\$ 19,164,305</u>	<u>\$ 260,983</u>	<u>1.38%</u>

The primary sources of general revenue are the state revenue limit and local property tax revenue. The primary sources of program revenue are the state of California and the federal government which fund many programs operated by the district and fees collected for meals.

**Table III**  
Government-Wide Expenses  
For the Year Ended June 30, 2017

	2016	2017	Change	% Change
<b>Governmental Expenditures</b>				
Instruction	\$ 11,759,748	\$ 12,141,318	\$ 381,570	3.24%
Instruction Related Services	1,244,964	1,511,300	266,336	21.39%
Pupil Services	1,853,451	1,995,240	141,789	7.65%
General Administration	1,978,592	1,538,054	(440,538)	-22.27%
Plant Services	1,396,522	1,474,949	78,427	5.62%
Community Services	293,626	298,063	4,437	1.51%
Interest on Long Term Debt	970,252	915,601	(54,651)	-5.63%
Other Outgo	36,461	42,556	6,095	100.00%
Total Expenditures	<u>\$ 19,533,616</u>	<u>\$ 19,917,081</u>	<u>\$ 383,465</u>	<u>1.96%</u>

The change in the District's Net Position is as follows:

**Table IV**  
Change in Net Position  
For the Year Ended June 30, 2017

	<u>2016</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
<b>Total Revenue</b>	\$ 18,903,322	\$ 19,164,305	\$ 260,983	1.38%
<b>Total Expenditures</b>	19,533,616	19,917,081	383,465	1.96%
<b>Change in Net Position</b>	<u>\$ (630,294)</u>	<u>\$ (752,776)</u>	<u>\$ (122,482)</u>	<u>19.43%</u>

Information about the district's major fund, the General Fund, is shown later in this report. This fund is accounted for using the modified accrual basis of accounting. The district's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of the 2016-17 fiscal year, the district revised its general fund budget on occasion to better reflect new grants and awards, and to portray the most current state and federal budget projections, as that information became available. Budget revisions are presented to the Governing Board for review and approval at regularly scheduled Board meetings.

#### CAPITAL ASSETS

At the end of the 2016-17 fiscal year, the district had \$35,127,574 invested in land, buildings, and capital equipment. Depreciation totaling \$18,767,463 was charged against the value of those assets for net capital assets of \$16,360,111.

#### CURRENT FINANCIAL RELATED ACTIVITIES

Over the years, Alpine Union School District has maintained a strong, financially responsible budget. Each year the district takes a very careful look at revenue and expenditure projections on a multi-year basis, and adjusts its budget accordingly, to maintain an acceptable and safe reserve balance. As the preceding information shows, assets are substantial and the amount of debt paid from general revenues is a very small percentage of the overall budget. However, the financial future is full of challenges due to the district's dependence on the state of California for the bulk of its general operating revenue.

#### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time that this analysis was written, the District recognized the following areas of concern that could significantly impact the future of the District's financial health:

- Enrollment and Average Daily Attendance (ADA) need to be continually monitored.
- Continued increases to school district contributions toward employee pensions (STRS and PERS) will continue to consume any funding increases. This must be offset by reductions in other areas in the budget.
- While the economy is showing signs of recovery, any recession would translate to large reductions in District revenues.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

This financial report is designed to provide our citizens, taxpayers, 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, contact Jennifer Nerat, Business Manager at Alpine Union School District, 1323 Administration Way, Alpine, CA 91901 or e-mail to [jnerat@alpineschools.net](mailto:jnerat@alpineschools.net).

## Basic Financial Statements

**ALPINE UNION SCHOOL DISTRICT**  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017

	Governmental Activities
<b>ASSETS:</b>	
Cash	\$ 4,237,068
Receivables	380,406
Stores	6,632
Prepaid Expenses	110,575
Capital Assets:	
Land	2,137,026
Improvements	7,296,382
Buildings	24,389,037
Equipment	1,305,129
Less Accumulated Depreciation	(18,767,463)
Total Assets	<u>21,094,792</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,190,140</u>
<b>LIABILITIES:</b>	
Accounts Payable	333,548
Unearned Revenue	19,815
Long-Term Liabilities:	
Due Within One Year	2,304,263
Due in More Than One Year	33,195,054
Total Liabilities	<u>35,852,680</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,220,985</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	1,147,627
Restricted for:	
Capital Projects	430,593
Educational Programs	173,158
Other Purposes (Expendable)	33,027
Other Purposes (Nonexpendable)	119,707
Unrestricted	(15,692,845)
Total Net Position	<u>\$ (13,788,733)</u>

The accompanying notes are an integral part of this statement.



**ALPINE UNION SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 12,141,318	\$ -	\$ 2,001,462	\$ (10,139,856)
Instruction-Related Services:				
Instructional Supervision and Administration	36,917	-	-	(36,917)
Instructional Library, Media and Technology	303,561	-	-	(303,561)
School Site Administration	1,170,822	-	32,004	(1,138,818)
Pupil Services:				
Home-to-School Transportation	712,345	-	62,919	(649,426)
Food Services	576,633	234,592	299,458	(42,583)
All Other Pupil Services	706,262	-	79,156	(627,106)
General Administration:				
Centralized Data Processing	20,826	-	-	(20,826)
All Other General Administration	1,517,228	-	56,648	(1,460,580)
Plant Services	1,474,949	903	1,152	(1,472,894)
Community Services	298,063	-	-	(298,063)
Interest on Long-Term Debt	915,601	-	-	(915,601)
Other Outgo	42,556	-	-	(42,556)
Total Expenses	<u>\$ 19,917,081</u>	<u>\$ 235,495</u>	<u>\$ 2,532,799</u>	<u>\$ (17,148,787)</u>

## General Revenues:

Taxes and Subventions:	
Taxes Levied for General Purposes	4,792,429
Taxes Levied for Debt Service	1,568,598
Taxes Levied for Other Specific Purposes	(156)
Federal and State Aid, Not Restricted	9,345,057
Interest and Investment Earnings	55,162
Miscellaneous	634,921
Total General Revenues	<u>16,396,011</u>

Change in Net Position (752,776)

Net Position Beginning - As Restated (See Note R) (13,035,957)

Net Position Ending \$ (13,788,733)

The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	General Fund	Cafeteria Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 2,290,866	\$ 11,035
Cash on Hand and in Banks	6,980	768
Cash in Revolving Fund	2,500	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	299,909	80,258
Due from Grantor Governments	124	-
Due from Other Funds	84,119	52,212
Stores Inventories	-	6,632
Prepaid Expenditures	110,575	-
Total Assets	<u>2,795,073</u>	<u>150,905</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 305,893	\$ 11,627
Due to Other Funds	52,212	99,619
Unearned Revenue	19,815	-
Total Liabilities	<u>377,920</u>	<u>111,246</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,500	-
Stores Inventories	-	6,632
Prepaid Items	110,575	-
Restricted Fund Balances	603,751	33,027
Assigned Fund Balances	-	-
Unassigned:		
Reserve for Economic Uncertainty	479,770	-
Other Unassigned	1,220,557	-
Total Fund Balance	<u>2,417,153</u>	<u>39,659</u>
Total Liabilities and Fund Balances	<u>\$ 2,795,073</u>	<u>\$ 150,905</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,885,632	\$ 39,286	\$ 4,226,819
-	-	7,748
-	-	2,500
-	3	3
-	114	380,281
-	-	124
-	18,000	154,331
-	-	6,632
-	-	110,575
<u>1,885,632</u>	<u>57,403</u>	<u>4,889,013</u>
\$ -	\$ -	\$ 317,520
-	2,500	154,331
-	-	19,815
<u>-</u>	<u>2,500</u>	<u>491,666</u>
-	-	2,500
-	-	6,632
-	-	110,575
-	-	636,778
1,885,632	54,903	1,940,535
-	-	479,770
-	-	1,220,557
<u>1,885,632</u>	<u>54,903</u>	<u>4,397,347</u>
<u>\$ 1,885,632</u>	<u>\$ 57,403</u>	<u>\$ 4,889,013</u>

**ALPINE UNION SCHOOL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total fund balances - governmental funds balance sheet	\$ 4,397,347
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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:	35,127,574	
Accumulated depreciation:	<u>(18,767,463)</u>	
Net:		16,360,111

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:

(16,029)

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	15,212,483	
Compensated absences payable	155,409	
Net pension liability	14,718,311	
Net OPEB obligation	1,738,131	
Certificates of Participation	3,201,493	
Capital leases payable	<u>473,490</u>	
Total:		(35,499,317)

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	2,190,140
Deferred inflows of resources relating to pensions	<u>(1,220,985)</u>

Net position of governmental activities - statement of net position	\$ <u>(13,788,733)</u>
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The accompanying notes are an integral part of this statement.

# ALPINE UNION SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Cafeteria Fund
	<u>                    </u>	<u>                    </u>
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 6,532,999	\$ -
Education Protection Account Funds	2,108,642	-
Local Sources	4,792,429	-
Federal Revenue	624,985	276,579
Other State Revenue	1,531,678	18,761
Other Local Revenue	1,407,526	240,766
Total Revenues	<u>16,998,259</u>	<u>536,106</u>
Expenditures:		
Current:		
Instruction	10,070,170	-
Instruction - Related Services	1,062,630	-
Pupil Services	1,241,367	540,652
Community Services	270,719	-
General Administration	1,387,912	-
Plant Services	1,549,340	2,080
Other Outgo	42,556	-
Debt Service:		
Principal	456,357	-
Interest	72,794	-
Total Expenditures	<u>16,153,845</u>	<u>542,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>844,414</u>	<u>(6,626)</u>
Other Financing Sources (Uses):		
Transfers In	-	13,481
Transfers Out	(13,481)	-
Other Sources	175,000	-
Total Other Financing Sources (Uses)	<u>161,519</u>	<u>13,481</u>
Net Change in Fund Balance	1,005,933	6,855
Fund Balance, July 1	1,411,220	32,804
Fund Balance, June 30	<u>\$ 2,417,153</u>	<u>\$ 39,659</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 6,532,999
-	-	2,108,642
-	-	4,792,429
-	-	901,564
15,066	-	1,565,505
1,562,999	51,875	3,263,166
<u>1,578,065</u>	<u>51,875</u>	<u>19,164,305</u>
-	-	10,070,170
-	-	1,062,630
-	-	1,782,019
-	-	270,719
-	22,900	1,410,812
-	-	1,551,420
-	-	42,556
548,044	-	1,004,401
974,956	-	1,047,750
<u>1,523,000</u>	<u>22,900</u>	<u>18,242,477</u>
<u>55,065</u>	<u>28,975</u>	<u>921,828</u>
-	-	13,481
-	-	(13,481)
-	-	175,000
<u>-</u>	<u>-</u>	<u>175,000</u>
55,065	28,975	1,096,828
1,830,567	25,928	3,300,519
<u>\$ 1,885,632</u>	<u>\$ 54,903</u>	<u>\$ 4,397,347</u>

**ALPINE UNION SCHOOL DISTRICT**

RECONCILIATION 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, 2017

Net change in fund balances - total governmental funds \$ 1,096,828

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:

Expenditures for capital outlay	-	
Depreciation expense	<u>(1,020,775)</u>	
Net:		(1,020,775)

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: 1,004,401

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (175,000)

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: 126,210

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: (1,716,118)

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: (83,112)

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: 5,940

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: 8,850

Change in net position of governmental activities - statement of activities \$ (752,776)

The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2017

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 26,784
Total Assets	<u>26,784</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 26,784
Total Liabilities	<u>26,784</u>
<b>NET POSITION:</b>	
Total Net Position	<u><u>\$ -</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, 2017**

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, 2017

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code sections 38090–38093).

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.

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, 2017**

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.

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.

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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.

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.

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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.

**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.

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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.

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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.

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

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

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

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

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

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
2. The gross dollar amount of taxes abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

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

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.



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This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

**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

**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:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
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 (\$4,226,819 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$4,226,819. 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.

**ALPINE UNION SCHOOL DISTRICT**  
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2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$34,532 as of June 30, 2017) 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. Investments

The District's investments at June 30, 2017 are shown below.

Investment or Investment Type	Average Days to Maturity	Book Value	Fair Value
Money Market Funds	<30 Days	\$ 3	\$ 3
Total Investments		\$ 3	\$ 3

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.

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

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
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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.

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, 2017, 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.

**ALPINE UNION SCHOOL DISTRICT**  
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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.

D. Accounts Receivable

Accounts receivable at June 30, 2017 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Cafeteria Fund		
Federal Government:				
Federal Programs	\$ 42,075	\$ 80,158	-	\$ 122,233
State Government:				
Lottery	153,764	-	-	153,764
Special Education	41,058	-	-	41,058
Local Sources:				
Interest	-	100	102	202
In Lieu of Property Taxes	35,187	-	-	35,187
Other Local Revenues	27,825	-	12	27,837
Total	\$ 299,909	\$ 80,258	\$ 114	\$ 380,281

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

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**E. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
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	-	-	7,296,382
Equipment	1,305,129	-	-	1,305,129
Total capital assets being depreciated	<u>32,990,548</u>	<u>-</u>	<u>-</u>	<u>32,990,548</u>
Less accumulated depreciation for:				
Buildings	(11,047,067)	(624,165)	-	(11,671,232)
Improvements	(5,630,421)	(343,029)	-	(5,973,450)
Equipment	(1,069,201)	(53,580)	-	(1,122,781)
Total accumulated depreciation	<u>(17,746,689)</u>	<u>(1,020,774)</u>	<u>-</u>	<u>(18,767,463)</u>
Total capital assets being depreciated, net	<u>15,243,859</u>	<u>(1,020,774)</u>	<u>-</u>	<u>14,223,085</u>
Governmental activities capital assets, net	<u>\$ 17,380,885</u>	<u>\$ (1,020,774)</u>	<u>\$ -</u>	<u>\$ 16,360,111</u>

Depreciation was charged to functions as follows:

Instruction	\$ 837,383
Instruction-Related Services	99,414
Pupil Services	79,972
General Administration	3,306
Plant Services	699
	<u>\$ 1,020,774</u>

**F. Interfund Balances and Activities**

**1. Due To and From Other Funds**

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	\$ 81,619	Reimburse expenses
General Fund	Capital Facility Fund	2,500	Temporary loan
Cafeteria Fund	General Fund	52,212	Contribution for cash shortage
Capital Facility Fund	Cafeteria Fund	18,000	Temporary loan
	Total	<u>\$ 154,331</u>	

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

**ALPINE UNION SCHOOL DISTRICT**  
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2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Cafeteria Fund	\$ 13,481	Contribution for cash shortage
	Total	\$ <u>13,481</u>	

G. Accounts Payable

Accounts payable at June 30, 2017 consisted of:

	<u>Major Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Cafeteria Fund</u>		
Vendor payables	\$ 276,400	\$ 11,627	\$ -	\$ 288,027
Payroll and related benefits	29,298	-	-	29,298
Pension related liabilities	195	-	-	195
Totals	\$ <u>305,893</u>	\$ <u>11,627</u>	\$ <u>-</u>	\$ <u>317,520</u>

H. Unearned Revenue

Unearned revenue consisted of the following:

	<u>General Fund</u>
Federal Government: Categorical Programs	\$ 19,815
Total	\$ <u>19,815</u>

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 2016 issued August 23, 2016. The notes due on June 30, 2017 bore an interest rate of 3.00%. The District's share of Tax and Revenue Anticipation Notes issued was \$1,080,000. The notes were issued to supplement cash flows of the district. The notes and interest were repaid by the district on June 30, 2017.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Revenue Anticipation Notes	\$ -	\$ 1,080,000	\$ 1,080,000	\$ -

**ALPINE UNION SCHOOL DISTRICT**  
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J. 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, 2017 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 15,853,085	\$ 889,189	\$ 1,529,791	\$ 15,212,483	\$ 1,699,792
Capital leases	429,847	175,000	131,356	473,491	132,914
Net OPEB obligation	1,655,019	350,348	267,236	1,738,131	-
Certificates of participation	3,522,642	-	321,149	3,201,493	316,149
Net pension liability	12,480,604	4,911,551	2,673,844	14,718,311	-
Compensated absences *	164,259	-	8,851	155,408	155,408
Total governmental activities	<u>\$ 34,105,456</u>	<u>\$ 6,326,088</u>	<u>\$ 4,932,227</u>	<u>\$ 35,499,317</u>	<u>\$ 2,304,263</u>

\* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

2. General Obligation Bonds

General obligation bonds at June 30, 2017 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				<u>\$ 6,074,891</u>

	Beginning Balance	Increases	Decreases	Ending Balance
1997-A Capital Appreciation	\$ 2,410,604	\$ -	\$ 318,645	\$ 2,091,959
1997-A Accreted Interest	4,074,557	335,869	551,354	3,859,072
1997-A Bond Premium	20,186	-	2,884	17,302
1997-B Capital Appreciation	3,343,085	-	229,398	3,113,687
1997-B Accreted Interest	5,942,482	553,320	420,602	6,075,200
1997-B Bond Premium	62,171	-	6,908	55,263
Total GO Bonds	<u>\$ 15,853,085</u>	<u>\$ 889,189</u>	<u>\$ 1,529,791</u>	<u>\$ 15,212,483</u>

**ALPINE UNION SCHOOL DISTRICT**  
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The annual requirements to amortize the bonds outstanding at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 575,238	\$ 1,114,762	\$ -	\$ 1,690,000
2019	594,311	1,265,689	-	1,860,000
2020	602,931	1,407,069	-	2,010,000
2021	599,395	1,515,605	-	2,115,000
2022	629,615	1,725,385	-	2,355,000
2023-2027	2,204,156	7,260,844	-	9,465,000
<b>Totals</b>	<b>\$ 5,205,646</b>	<b>\$ 14,289,354</b>	<b>\$ -</b>	<b>\$ 19,495,000</b>

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, 2017.

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 132,914	\$ 18,464	\$ 151,378
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
<b>Totals</b>	<b>\$ 473,490</b>	<b>\$ 51,093</b>	<b>\$ 524,583</b>

4. Certificates of Participation

Certificates of participation at June 30, 2017 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2010 Series A Taxable COPs	06/16/2010	4.513-7.33%	04/15/2027	\$ 4,470,000
<b>Total COPs</b>				<b>\$ 4,470,000</b>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2010 Series A Taxable COPs	\$ 3,565,000	\$ -	\$ 325,000	\$ 3,240,000
2010 Series A COPs Discount	(42,358)	-	(3,851)	(38,507)
<b>Total COPs</b>	<b>\$ 3,522,642</b>	<b>\$ -</b>	<b>\$ 321,149</b>	<b>\$ 3,201,493</b>



**ALPINE UNION SCHOOL DISTRICT**  
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Future commitments for certificates of participation as of June 30, 2017 are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 320,000	\$ 219,809	\$ 539,809
2019	310,000	200,673	510,673
2020	320,000	181,515	501,515
2021	305,000	161,099	466,099
2022	310,000	141,029	451,029
2023-2027	1,675,000	380,187	2,055,187
Totals	\$ 3,240,000	\$ 1,284,312	\$ 4,524,312

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>	<u>2010 Ref. Bonds</u>
Total Interest Payments on Bond	\$ 5,524,395	\$ 10,263,211	\$ 218,232
Less Bond Premium	(72,093)	(172,697)	(78,590)
Net Interest Payments	\$ 5,452,302	\$ 10,090,514	\$ 139,642
Par amount of Bonds	\$ 2,410,605	\$ 3,664,286	\$ 3,055,000
Periods	25	25	5
Effective Interest Rate	9.047%	11.015%	0.914%

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>	<u>2010 Series B COPs</u>
Total Interest Payments on COPs	\$ 3,229,510	\$ 42,656
Plus COPs Discount	65,463	2,163
Net Interest Payments	\$ 3,294,973	\$ 44,819
Par amount of COPs	\$ 4,470,000	\$ 250,000
Periods	17	4
Effective Interest Rate	4.336%	4.482%

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**K. Components of Ending Fund Balance**

As of June 30, 2017 ending fund balance consisted of the following:

	Major Governmental Funds				
	General Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable Fund Balances</b>					
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores Inventories	-	6,632	-	-	6,632
Prepaid Expenses	110,575	-	-	-	110,575
<b>Total Nonspendable</b>	<b>113,075</b>	<b>6,632</b>	<b>-</b>	<b>-</b>	<b>119,707</b>
<b>Restricted Fund Balances</b>					
Educational Programs	173,158	-	-	-	173,158
Capital Projects	430,593	-	-	-	430,593
Child Nutrition Program	-	33,027	-	-	33,027
<b>Total Restricted</b>	<b>603,751</b>	<b>33,027</b>	<b>-</b>	<b>-</b>	<b>636,778</b>
<b>Assigned Fund Balances</b>					
Capital Projects	-	-	-	54,903	54,903
Debt Service	-	-	1,885,632	-	1,885,632
<b>Total Assigned</b>	<b>-</b>	<b>-</b>	<b>1,885,632</b>	<b>54,903</b>	<b>1,940,535</b>
<b>Unassigned Fund Balances</b>					
For Economic Uncertainty	479,770	-	-	-	479,770
Other Unassigned	1,220,557	-	-	-	1,220,557
<b>Total Unassigned</b>	<b>1,700,327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,700,327</b>
<b>Total Fund Balance</b>	<b>\$ 2,417,153</b>	<b>\$ 39,659</b>	<b>\$ 1,885,632</b>	<b>\$ 54,903</b>	<b>\$ 4,397,347</b>

**L. Joint Ventures (Joint Powers Agreements)**

The District participates in two joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSR) 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.

**ALPINE UNION SCHOOL DISTRICT**  
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Combined condensed unaudited financial information of the District's share of the JPAs for the year ended June 30, 2017 is as follows:

	SDCSR	FBC	Total
Total Assets	\$ 3,454	\$ 151,249	\$ 154,703
Total Liabilities	3,753	22,155	25,908
Total Fund Balance	\$ (299)	\$ 129,094	\$ 128,795
Total Cash Receipts	\$ 2,641	\$ 94,935	\$ 97,576
Total Cash Disbursements	731	92,284	93,015
Net Change in Fund Balance	\$ 1,910	\$ 2,651	\$ 4,561

The District has a deficit fund balance with the SDCSR. The District is in the process of creating a plan to eliminate the deficit in fund balance.

M. 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 Provided

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, 2017 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	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

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\*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%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. 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 ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

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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, 2016 (measurement date) the State contributed 2.220% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have 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. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	390,380
2016	7.126%	492,370
2017	2.220%	430,811

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	\$ 756,762	\$ 235,128	\$ 991,890
Contributions - State On Behalf Payments (Fiscal Year)	430,811	-	430,811
Total Contributions	<u>\$ 1,187,573</u>	<u>\$ 235,128</u>	<u>\$ 1,422,701</u>

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

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

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 11,481,390
CalPERS	3,236,921
Total Net Pension Liability	<u>\$ 14,718,311</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, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

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The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2016	0.0150%	0.0095%	0.0245%	0.0160%
Proportion June 30, 2017	0.0142%	0.0092%	0.0234%	0.0164%
Change in Proportion	-0.0008%	-0.0003%	-0.0011%	0.0004%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 1,355,351	\$ 882,356	\$ 2,237,707
Contributions - State On Behalf Payments	430,811	-	430,811
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions - Employer made subsequent to measurement date	(124,204)	(46,308)	(170,512)
Difference Between Actual & Expected Experience	(522)	(16,266)	(16,788)
Change in Assumptions	-	(38,912)	(38,912)
Change in Proportionate Shares	390,725	(85,596)	305,129
Net Difference Between Projected & Actual Earnings	(1,341)	(599,166)	(600,507)
Total Pension Expense	\$ 2,050,820	\$ 96,108	\$ 2,146,928

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 880,966	\$ 281,436	\$ 1,162,402
Differences between actual and expected experience	-	161,041	161,041
Changes in assumptions	-	-	-
Change in employer's proportion share	-	49,002	49,002
Net difference between projected and actual earnings	3,314	814,382	817,696
Total Deferred Outflows of Resources	\$ 884,280	\$ 1,305,861	\$ 2,190,141

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ -	\$ -	\$ -
Differences between actual and expected experience	(2,351)	-	(2,351)
Changes in assumptions	-	(116,734)	(116,734)
Change in employer's proportionate share	(649,129)	(109,780)	(758,909)
Net difference between projected and actual earnings	-	(342,991)	(342,991)
Total Deferred Inflows of Resources	\$ (651,480)	\$ (569,505)	\$ (1,220,985)

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Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. 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	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 881,918	\$ 570,760	\$ (179,340)	\$ (247,000)	\$ 1,026,338
2019	952	289,324	(179,339)	(246,999)	(136,062)
2020	953	289,323	(178,890)	(75,506)	35,880
2021	457	156,454	(113,911)	-	43,000
Total	\$ 884,280	\$ 1,305,861	\$ (651,480)	\$ (569,505)	\$ 969,156

c. Actuarial Assumptions

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

Valuation Date	CalSTRS	CalPERS
	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.60% (2)	7.65% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% 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 the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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 valuations 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.

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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 reflect 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 06/30/2016	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

CalPERS			
Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

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

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



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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	6.60%	6.65%
Net Pension Liability	\$ 16,524,310	\$ 4,829,506
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 11,481,390	\$ 3,236,921
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 7,293,034	\$ 1,910,783

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

CalSTRS

	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, 2016 (Previously Reported)	\$ 63,596,504	\$ 47,074,693	\$ 16,521,811	\$ 6,395,772	\$ 10,126,039
Changes for the year:					
Change in Proportionate share	(2,968,266)	(2,197,137)	(771,129)	(201,972)	(569,157)
Service Cost	1,374,244	-	1,374,244	540,408	833,836
Interest	4,522,794	-	4,522,794	1,778,544	2,744,250
Differences between expected and actual experience	(282,850)	-	(282,850)	(111,228)	(171,622)
Contributions:					
Employer	-	793,371	(793,371)	(311,985)	(481,386)
Employee	-	691,912	(691,912)	(272,088)	(419,824)
State On Behalf Payments	-	453,847	(453,847)	(178,471)	(275,376)
Net Investment Income	-	539,254	(539,254)	(212,056)	(327,198)
Other Income	-	9,714	(9,714)	(3,820)	(5,894)
Benefit Payments, including refunds of employee contributions	(3,076,155)	(3,076,155)	-	-	-
Administrative expenses	-	(42,125)	42,125	16,565	25,560
Other Expenses	-	(3,563)	3,563	1,401	2,162
Net Changes	(430,233)	(2,830,883)	2,400,650	1,045,299	1,355,351
Balance at June 30, 2017	\$ 63,166,271	\$ 44,243,810	\$ 18,922,461	\$ 7,441,071	\$ 11,481,390

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CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	\$ 11,445,468	\$ 9,090,903	\$ 2,354,565
Changes for the year:			
Adjustment for Change in Proportionate Share	297,747	236,495	61,252
Service Cost	281,354	-	281,354
Interest	891,899	-	891,899
Differences between expected and actual experience	65,575	-	65,575
Changes in Assumptions	-	-	-
Contributions - Employer	-	235,128	(235,128)
Contributions - Employee	-	139,496	(139,496)
Net Plan to Plan Resource Movement	-	2	(2)
Net Investment Income	-	48,761	(48,761)
Benefit Payments, including refunds of employee contributions	(581,306)	(581,306)	-
Administrative expenses	-	(5,663)	5,663
Net Changes	955,269	72,913	882,356
Balance at June 30, 2017	\$ 12,400,737	\$ 9,163,816	\$ 3,236,921

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

**N. Postemployment Benefits Other Than Pension Benefits**

Plan Description

The Alpine Union School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees up to age 65. Eligibility for retiree health benefits requires retirement from PERS/STRS with at least 10 years of District eligible service. The coverage period is limited to 10 years or to age 65, if earlier. The District's financial obligation is to provide full cost of coverage for the retirees only. Membership of the plan consists of approximately 114 eligible active employees and 39 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-17, the District contributed \$267,236 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District' annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years.

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The following table shows the components of the Districts annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 342,073
Interest on OPEB obligation	8,275
Annual OPEB cost	<u>350,348</u>
Contribution made	<u>(267,236)</u>
Increase in net OPEB obligation	83,112
Net OPEB obligation, beginning of year	1,655,019
Net OPEB obligation, end of year	<u>\$ 1,738,131</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2016 and 2017 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 357,973	54.68%	\$ 1,491,518
2016	365,052	55.21%	1,655,019
2017	350,348	76.28%	1,738,131

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after ten years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2016 of 22 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

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O. 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, 2017 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension Related	Varies	Varies	\$ 1,525,350	\$ 1,946,957	\$ 1,282,167	\$ 2,190,140
Total Deferred Outflows of Resources			<u>\$ 1,525,350</u>	<u>\$ 1,946,957</u>	<u>\$ 1,282,167</u>	<u>\$ 2,190,140</u>

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	Pension Related
2018	\$ 1,452,679
2019	290,277
2020	290,277
2021	156,907
Total	<u>\$ 2,190,140</u>

P. 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.

A summary of the deferred inflows of resources as of June 30, 2017 is as follows:

Description	Amortization Term	Beginning Balance	Additions	Current Year Amortization	Ending Balance
Pension related	Varies	\$ 1,077,784	\$ 569,544	\$ 426,343	\$ 1,220,985
Total Deferred Inflows of Resources		<u>\$ 1,077,784</u>	<u>\$ 569,544</u>	<u>\$ 426,343</u>	<u>\$ 1,220,985</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2018	\$ 426,341
2019	426,339
2020	254,397
2021	113,908
Total	<u>\$ 1,220,985</u>

**ALPINE UNION SCHOOL DISTRICT**  
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Q. 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 view 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.

R. Adjustments to Beginning Fund Balance

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS and CalPERS. During the current year the district calculated proportionate share by taking contributions to the CalSTRS and CalPERS plans and dividing by plan total contributions. The result was a small change to proportionate share based on rounding variances in the proportionate share. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

Beginning net position was adjusted as follows:

Net Position, Beginning (As Originally Stated)	\$ (13,054,807)
Adjustments for:	
Correction to Net Pension Liability	30,805
Correction to Deferred Outflows of Resources - Pension Related	(14,022)
Correction to Deferred Inflows of Resources - Pension Related	<u>2,067</u>
Net Position, Beginning (As Restated)	<u>\$ (13,035,957)</u>

S. 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, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

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

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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

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

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The 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.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement 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. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
2. Reporting amounts previously reported as goodwill and "negative" goodwill.
3. Classifying real estate held by insurance entities.

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB.
9. Simplifying certain aspects of the alternative measurement method for OPEB.
10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

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

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.



## 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 5,764,164	\$ 6,257,375	\$ 6,532,999	\$ 275,624
Education Protection Account Funds	2,060,109	2,060,463	2,108,642	48,179
Local Sources	5,231,400	4,700,272	4,792,429	92,157
Federal Revenue	628,715	694,398	624,985	(69,413)
Other State Revenue	2,121,355	2,121,567	1,531,678	(589,889)
Other Local Revenue	557,120	669,845	1,407,526	737,681
Total Revenues	<u>16,362,863</u>	<u>16,503,920</u>	<u>16,998,259</u>	<u>494,339</u>
Expenditures:				
Current:				
Certificated Salaries	6,900,134	7,161,850	7,136,277	25,573
Classified Salaries	2,753,748	2,745,050	2,688,889	56,161
Employee Benefits	3,638,463	3,589,185	3,570,409	18,776
Books And Supplies	548,643	688,972	595,282	93,690
Services And Other Operating Expenditures	1,465,514	1,675,310	1,633,837	41,473
Capital Outlay	75,000	60,000	-	60,000
Debt Service:				
Principal	420,968	457,257	456,357	900
Interest	78,755	79,064	72,794	6,270
Total Expenditures	<u>15,881,225</u>	<u>16,456,688</u>	<u>16,153,845</u>	<u>302,843</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>481,638</u>	<u>47,232</u>	<u>844,414</u>	<u>797,182</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(13,481)	(13,481)
Other Sources	-	-	175,000	175,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>161,519</u>	<u>161,519</u>
Net Change in Fund Balance	481,638	47,232	1,005,933	958,701
Fund Balance, July 1	1,411,220	1,411,220	1,411,220	-
Fund Balance, June 30	<u>\$ 1,892,858</u>	<u>\$ 1,458,452</u>	<u>\$ 2,417,153</u>	<u>\$ 958,701</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

**ALPINE UNION SCHOOL DISTRICT**

**EXHIBIT B-2**

CAFETERIA FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 230,000	\$ 275,390	\$ 276,579	\$ 1,189
Other State Revenue	19,000	19,000	18,761	(239)
Other Local Revenue	273,100	273,100	240,766	(32,334)
Total Revenues	<u>522,100</u>	<u>567,490</u>	<u>536,106</u>	<u>(31,384)</u>
Expenditures:				
Current:				
Classified Salaries	209,377	209,377	239,811	(30,434)
Employee Benefits	58,909	41,459	50,639	(9,180)
Books And Supplies	230,000	231,000	242,059	(11,059)
Services And Other Operating Expenditures	9,500	9,500	10,223	(723)
Capital Outlay	2,000	19,000	-	19,000
Total Expenditures	<u>509,786</u>	<u>510,336</u>	<u>542,732</u>	<u>(32,396)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,314</u>	<u>57,154</u>	<u>(6,626)</u>	<u>(63,780)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	13,481	13,481
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>13,481</u>	<u>13,481</u>
Net Change in Fund Balance	12,314	57,154	6,855	(50,299)
Fund Balance, July 1	32,804	32,804	32,804	-
Fund Balance, June 30	<u>\$ 45,118</u>	<u>\$ 89,958</u>	<u>\$ 39,659</u>	<u>\$ (50,299)</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

**ALPINE UNION SCHOOL DISTRICT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN  
 YEAR ENDED JUNE 30, 2017

**EXHIBIT B-3**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/2008	\$ -	\$ 2,653,000	\$ 2,653,000	-	\$ 11,971,436	22.2%
7/01/2011	-	2,846,694	2,846,694	-	8,293,000	34.3%
7/01/2014	-	3,074,093	3,074,093	-	7,296,000	42.1%
7/01/2016	-	3,939,736	3,939,736	-	7,296,000	54.0%

**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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0142%	0.0150%	0.0156%	N/A	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	0.0092%	0.0095%	0.0099%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 11,481,390	\$ 10,126,040	\$ 9,112,358	N/A	\$ 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	7,441,071	6,395,772	5,785,246	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ 18,922,461</b>	<b>\$ 16,521,812</b>	<b>\$ 14,897,604</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
District's covered-employee payroll	\$ 7,002,910	\$ 7,052,768	\$ 6,950,619	N/A	\$ 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	163.95%	143.58%	131.10%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%	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**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution - District	\$ 880,966	\$ 756,762	\$ 617,215	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total Contractually Required Contributions	880,966	756,762	617,215	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - District	(880,966)	(756,762)	(617,215)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Contributions in relation to the contractually required contribution	(880,966)	(756,762)	(617,215)	N/A	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	\$ N/A
District's covered-employee payroll	\$ 7,002,910	\$ 7,052,768	\$ 6,950,619	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	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 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 \*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0164%	0.0160%	0.0176%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 3,236,921	\$ 2,354,564	\$ 1,996,391	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 2,026,466	\$ 1,984,705	\$ 1,776,400	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of pension liability (asset) as a percentage of its covered-employee payroll	159.73%	118.64%	112.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	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**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 281,436	\$ 235,128	\$ 209,100	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(281,436)	(235,128)	(209,100)	N/A	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	\$ N/A
District's covered-employee payroll	\$ 2,026,466	\$ 1,984,705	\$ 1,776,400	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	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 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, 2017

Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
Cafeteria Fund:		
Classified Salaries	\$ 30,434	The District underestimated the costs of salaries
Employee Benefits	9,180	The District underestimated the costs of employee benefits
Books & Supplies	11,059	The District underestimated the costs of supplies
Services & Other	723	The District underestimated the costs of services

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

Benefit Changes: In 2015, 2016, and 2017 there were no changes to benefits

Changes in Assumptions: In 2015, 2016, and 2017 there were no changes in assumptions

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

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

<u>Valuation Date</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Experience Study	07/01/06-06/30/10	07/01/07-06/30/11	07/01/08-06/30/12
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

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members using the RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are industry standard of mortality rates published by the Society of Actuaries. See CalSTRS experience analysis published on the CalSTRS website for more information.

Schedule of District's Proportionate Share - California Public Employee's Retirement System (CalPERS)

Benefit Changes: In 2015, 2016, and 2017 there were no changes to benefits.

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% to correct for an adjustment to exclude administrative expense.

Schedule of District Contributions - California Public Employee's Retirement System (CalPERS)

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 & June 30, 2015 used the following actuarial methods and assumptions:

<u>Valuation Date</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Experience Study	07/01/96-06/30/10	07/01/97-06/30/11	07/01/98-06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
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

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

## 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 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2017

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ -	\$ 39,286	\$ 39,286
Cash with a Fiscal Agent/Trustee	3	-	3
Accounts Receivable	-	114	114
Due from Other Funds	-	18,000	18,000
Total Assets	<u>3</u>	<u>57,400</u>	<u>57,403</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Due to Other Funds	\$ -	\$ 2,500	\$ 2,500
Total Liabilities	<u>-</u>	<u>2,500</u>	<u>2,500</u>
Fund Balance:			
Assigned Fund Balances	3	54,900	54,903
Total Fund Balance	<u>3</u>	<u>54,900</u>	<u>54,903</u>
Total Liabilities and Fund Balances	<u>\$ 3</u>	<u>\$ 57,400</u>	<u>\$ 57,403</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, 2017

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit A-5)
Revenues:			
Other Local Revenue	\$ -	\$ 51,875	\$ 51,875
Total Revenues	<u>-</u>	<u>51,875</u>	<u>51,875</u>
Expenditures:			
Current:			
General Administration	-	22,900	22,900
Total Expenditures	<u>-</u>	<u>22,900</u>	<u>22,900</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>28,975</u>	<u>28,975</u>
Net Change in Fund Balance	-	28,975	28,975
Fund Balance, July 1	3	25,925	25,928
Fund Balance, June 30	<u>\$ 3</u>	<u>\$ 54,900</u>	<u>\$ 54,903</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, 2017

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

Dr. Richard Newman  
Superintendent

Dr. Bobbi Burkett  
Assistant Superintendent of  
Human Resources and  
Student Services

Jennifer Nerat  
Chief Business Officer



**ALPINE UNION SCHOOL DISTRICT**  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 YEAR ENDED JUNE 30, 2017

**TABLE C-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	753.47	N/A	760.74	N/A
Extended Year Special Education	1.80	N/A	1.80	N/A
TK/K-3 Totals	<u>755.27</u>	<u>N/A</u>	<u>762.54</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	565.61	N/A	565.19	N/A
Extended Year Special Education	1.23	N/A	1.23	N/A
Grades 4-6 Totals	<u>566.84</u>	<u>N/A</u>	<u>566.42</u>	<u>N/A</u>
Grades 7-8:				
Regular ADA	347.80	N/A	346.53	N/A
Extended Year Special Education	0.22	N/A	0.22	N/A
Grades 7-8 Totals	<u>348.02</u>	<u>N/A</u>	<u>346.75</u>	<u>N/A</u>
ADA totals	<u><u>1,670.13</u></u>	<u><u>N/A</u></u>	<u><u>1,675.71</u></u>	<u><u>N/A</u></u>

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, 2017

**TABLE C-2**

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	49,835	180	-	Complied
Kindergarten	36,000	49,835	180	-	Complied
Grade 1	50,400	53,800	180	-	Complied
Grade 2	50,400	53,800	180	-	Complied
Grade 3	50,400	53,800	180	-	Complied
Grade 4	54,000	56,410	180	-	Complied
Grade 5	54,000	56,410	180	-	Complied
Grade 6	54,000	61,170	180	-	Complied
Grade 7	54,000	61,170	180	-	Complied
Grade 8	54,000	61,170	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, 2017

**TABLE C-3**

General Fund	Budget 2018 (See Note 1)	2017	2016	2015
Revenues and other financial sources	\$ 17,232,365	\$ 17,173,259	\$ 16,686,726	\$ 14,911,606
Expenditures, other uses and transfers out	17,314,513	16,167,326	16,322,749	14,954,770
Change in fund balance (deficit)	(82,148)	1,005,933	363,977	(43,164)
Ending fund balance	\$ <u>2,335,005</u>	\$ <u>2,417,153</u>	\$ <u>1,411,220</u>	\$ <u>1,047,243</u>
Available reserves (See Note 2)	\$ <u>1,871,359</u>	\$ <u>1,700,328</u>	\$ <u>1,036,005</u>	\$ <u>891,491</u>
Available reserves as a percentage of total outgo (See Note 3)	<u>10.8%</u>	<u>10.8%</u>	<u>6.5%</u>	<u>6.1%</u>
Total long-term debt	\$ <u>33,195,054</u>	\$ <u>35,499,318</u>	\$ <u>34,136,261</u>	\$ <u>33,689,200</u>
Average daily attendance at P-2	<u>1,682</u>	<u>1,670</u>	<u>1,629</u>	<u>1,638</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 \$1,369,911 (130.81%) over the past two years. The fiscal year 2017-18 budget projects an decrease of \$82,148 (3.40%). 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 increased by \$1,810,118 over the past two years.

Average daily attendance has decreased by 75 over the past three 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, 2017

**TABLE C-4**

	General Fund
June 30, 2017 annual financial and budget report fund balances	\$ <u>2,417,154</u>
Adjustments and reclassifications:	
Rounding	<u>(1)</u>
Net adjustments and reclassifications	<u>(1)</u>
June 30, 2017, audited financial statement fund balances	\$ <u><u>2,417,153</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.

No charter schools are chartered by Alpine Union School District.

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

**ALPINE UNION SCHOOL DISTRICT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2017

**TABLE C-6**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 65,385
National School Lunch Program Section 11	10.555	13396	-	170,825
Noncash Commodities	10.555	13396	-	17,472
National School Lunch Program Section 4	10.555	13523	-	40,328
Total Passed Through State Department of Education			-	294,010
Total U. S. Department of Agriculture			-	294,010
Total Child Nutrition Cluster			-	294,010
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	304,508
IDEA Preschool Local	84.027A	13682	-	48,605
IDEA Preschool Grants	84.173	13430	-	20,053
IDEA Preschool Staff Development	84.173A	13431	-	132
Total Passed Through State Department of Education			-	373,298
Total U. S. Department of Education			-	373,298
Total Special Education (IDEA) Cluster			-	373,298
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I	84.010	14329	-	97,230
Impact Aid - P.L. 81.874	84.041	10015	-	64,550
Indian Education	84.060	10011	-	20,196
Workability	84.126	10006	-	756
Title II Supporting Effective Instruction	84.367	14341	-	68,955
Total Passed Through State Department of Education			-	251,687
Total U. S. Department of Education			-	251,687
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 918,995

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, 2017

### 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 5.86% 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 I	84.010	5.54%
IDEA Preschool Grants	84.173	2.88%
IDEA Preschool Local	84.027A	2.85%
Indian Education	84.060	3.75%
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

Aubrey W. King, 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, 2017, 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 January 31, 2017.

**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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item(s) 2017-001.

### **Alpine Union School District's Response to Finding**

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

### **Purpose of this Report**

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

El Cajon, California  
January 31, 2017



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

Aubrey W. King, 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, 2017. 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, 2017.

## 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 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 & Co. LLP*

El Cajon, California  
January 31, 2017



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

Aubrey W. King, 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 *2016-17 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, 2017.

### **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, *2016-17 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, *2016-17 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
Mental Health Expenditures .....	Yes

**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
Immunizations .....	Yes

**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, 2017.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2016-17 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 which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

## **Alpine Union School District's Response to Findings**

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of 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 *2016-17 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 & Co. LLP*

El Cajon, California  
January 31, 2017

## Findings and Recommendations Section



**ALPINE UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**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>
10.555	Child Nutrition Cluster
84.027	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, 2017

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**D. State Award Findings and Questioned Costs**

Finding 2017-001 (70000)  
Instructional Materials

Criteria or Specific Requirement

Education Code Section 60119(b) requires that the governing board of a local education agency hold a public hearing or hearings at which the governing board encourages the participation of parents, teachers, members of the community, and bargaining unit leaders as to whether each pupil in each school has sufficient textbooks or instructional materials, or both that are aligned to the content standards adopted pursuant to Section 60605. There must be a public notice provided at least 10 days before the meeting date.

Condition

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.

Questioned Costs

None, there is no longer funding connected with this compliance requirement.

Cause

The District was unaware that the resolution provided as public notice did not meet all requirements as pertained in Code Section 60119.

Effect

The School District was not in compliance with Education Code Section 60119(b).

Recommendation

Implement procedures to ensure that appropriate public notices are being provided when required by law.

LEA's Response

The District has implemented processes in the Superintendent's office to ensure adequate notices are posted for public viewing per Education Code 60119(b). As such, corrective action occurred in the subsequent fiscal year whereby notices were posted in the District Office and all school sites on 9/21/2017.

**ALPINE UNION SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2016-001 Year End Closing</p> <p>In our review of the financial statements we noted areas in which we had to make journal entries in order to accurately report the financial statements. Tools to aid in preparing closing entries were not utilized and as a result there were cases of duplicate entries, errors in recording and items not recorded</p> <p>We recommended that the District establish closing procedures that include using tools available to assist in preparing closing entries at year end. In addition, we recommended the District implement a review process to ensure accurate reporting.</p>	Implemented	
<p>Finding 2016-002 Attendance Reporting</p> <p>At Joan McQueen Middle School and Shadow Hills Elementary School teachers were backdating signatures on attendance reports to dates prior to the date the report was printed.</p> <p>We recommended that the District provide training to attendance clerks to ensure understanding of the documentation requirements. Also to implement procedures to ensure attendance is verified timely by the teachers.</p>	Implemented	
<p>Finding 2016-003 Unduplicated Pupil Counts</p> <p>In our review of FRPM and EL students we found a total of ten errors out of sixty-seven students tested.</p> <p>We recommended that the District implement procedures to ensure that CalPADS data is updated for students that are eligible for unduplicated pupil counts.</p>	Implemented	

**ALPINE UNION SCHOOL DISTRICT**  
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2016-004            Immunizations</p> <p>In our review of the immunization records at Creek Side Early Learning Center, we noted two students that did not have proper immunizations at the time of enrollment.</p> <p>We recommended that the District implement procedures at all school sites to monitor immunizations and ensure compliance to immunization regulations.</p>	<p>Implemented</p>	