

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

AUDIT REPORT

JUNE 30, 2016

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

Alpine Union School District
 Audit Report
 For The Year Ended June 30, 2016

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

Management's Responsibility for the Financial Statements

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

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 of 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, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2016, Alpine Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Alpine Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Alpine Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F -- Audit Requirements (Uniform Guidance) 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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 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
December 15, 2016

ALPINE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
(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, 2016. 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 2015-16 are as follows:

- Total net position is \$(13,054,807)
- Unrestricted net position is \$(12,894,632)
- Outstanding capital lease debt decreased from \$520,814 to \$429,847
- Outstanding general obligation bond debt decreased from \$16,351,242 to \$15,853,085.
- Outstanding certificates of participation decreased from \$3,848,791 to \$3,522,642.
- The district implemented GASB Statement No. 68 & 71 which required that net pension liability be reported for the first time. In order to avoid skewing the Statement of Activities, beginning net position was restated for the accrual of the liability.

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 2015-2016?" 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 those assets. 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 is 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,				
	2015	2016	Change	% Change
Assets				
Cash	\$ 2,584,450	\$ 2,808,185	\$ 223,735	8.66%
Receivables	665,008	779,157	114,149	17.17%
Stores Inventory	10,256	7,246	(3,010)	-29.35%
Prepaid Expenses	6,099	110,575	104,476	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	1,231,684	1,305,129	73,445	5.96%
Less Accumulated Depreciation	(16,727,024)	(17,746,688)	(1,019,664)	6.10%
Total Assets	21,592,918	21,086,049	(506,869)	-2.35%
Deferred Outflows of Resources				
	1,910,960	1,539,372	(371,588)	-19.45%
Liabilities				
Accounts Payable	485,384	458,195	(27,189)	-5.60%
Unearned Revenue	8,441	5,921	(2,520)	-29.85%
Long-Term Liabilities:				
Due Within One Year	2,125,555	2,110,268	(15,287)	-0.72%
Due in More Than One Year	31,747,685	32,025,993	278,308	0.88%
Total Liabilities	34,367,065	34,600,377	233,312	0.68%
Deferred Inflows of Resources				
	2,988,945	1,079,851	(1,909,094)	100.00%
Net Position				
Net Investment in Capital Assets	(2,393,743)	(2,424,688)	(30,945)	1%
Restricted For:				
Capital Projects	270,261	133,928	(136,333)	-50%
Debt Service	1,634,468	1,830,567	196,099	12%
Educational Programs	39,153	154,139	114,986	294%
Other Purposes (Expendable)	107	25,558	25,451	100%
Other Purposes (Nonexpendable)	18,855	120,321	101,466	538%
Unrestricted	(13,421,233)	(12,894,632)	526,601	-4%
Total Net Position	\$ (13,852,132)	\$ (13,054,807)	\$ 797,325	-5.76%

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,				
	2015	2016	Change	% Change
Program Revenue				
Charges for Services	\$ 235,689	\$ 244,953	\$ 9,264	3.93%
Operating Grants & Contributions	2,337,236	2,558,133	220,897	9.45%
Total Program Revenue	2,572,925	2,803,086	230,161	8.95%
General Revenue				
Taxes and Subventions	5,589,502	6,097,778	508,276	9.09%
Federal & State Aid, Not Restricted	8,382,294	9,304,690	922,396	11.00%
Interest and Investment Earnings	33,930	40,715	6,785	20.00%
Miscellaneous Revenue	626,354	657,053	30,699	4.90%
Total General Revenue	14,632,080	16,100,236	1,468,156	10.03%
Total Revenue	\$ 17,205,005	\$ 18,903,322	\$ 1,698,317	9.87%

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,				
	2015	2016	Change	% Change
Governmental Expenditures				
Instruction	\$ 10,238,646	\$ 11,759,748	\$ 1,521,102	14.86%
Instruction Related Services	1,128,610	1,244,964	116,354	10.31%
Pupil Services	1,562,878	1,853,451	290,573	18.59%
General Administration	1,334,456	1,978,592	644,136	48.27%
Plant Services	1,280,757	1,396,522	115,765	9.04%
Community Services	264,935	293,626	28,691	10.83%
Interest on Long Term Debt	1,226,424	970,252	(256,172)	-20.89%
Other Outgo	20,703	36,461	15,758	100.00%
Total Expenditures	\$ 17,057,409	\$ 19,533,616	\$ 2,476,207	14.52%

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 2015-16 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 2015-16 fiscal year, the district had \$35,127,574 invested in land, buildings, and capital equipment. Depreciation totaling \$17,746,688 was charged against the value of those assets for net capital assets of \$17,380,886.

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.

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.

Basic Financial Statements

ALPINE UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Governmental Activities
ASSETS:	
Cash	\$ 2,808,185
Receivables	779,157
Stores	7,246
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	(17,746,688)
Total Assets	<u>21,086,049</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,539,372</u>
LIABILITIES:	
Accounts Payable	458,195
Unearned Revenue	5,921
Long-Term Liabilities:	
Due Within One Year	2,110,268
Due in More Than One Year	32,025,993
Total Liabilities	<u>34,600,377</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,079,851</u>
NET POSITION:	
Net Investment in Capital Assets	(2,424,688)
Restricted for:	
Capital Projects	133,928
Debt Service	1,830,567
Educational Programs	154,139
Other Purposes (Expendable)	25,558
Other Purposes (Nonexpendable)	120,321
Unrestricted	(12,894,632)
Total Net Position	<u>\$ (13,054,807)</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 11,759,748	\$ -	\$ 2,058,788	\$ (9,700,960)
Instruction-Related Services:				
Instructional Supervision and Administration	29,908	-	-	(29,908)
Instructional Library, Media and Technology	141,861	-	-	(141,861)
School Site Administration	1,073,195	-	33,332	(1,039,863)
Pupil Services:				
Home-to-School Transportation	629,013	-	49,907	(579,106)
Food Services	601,302	242,944	317,301	(41,057)
All Other Pupil Services	623,136	-	61,352	(561,784)
General Administration:				
Centralized Data Processing	19,038	-	-	(19,038)
All Other General Administration	1,959,554	-	35,412	(1,924,142)
Plant Services	1,396,522	2,009	2,041	(1,392,472)
Community Services	293,626	-	-	(293,626)
Interest on Long-Term Debt	970,252	-	-	(970,252)
Other Outgo	36,461	-	-	(36,461)
Total Expenses	<u>\$ 19,533,616</u>	<u>\$ 244,953</u>	<u>\$ 2,558,133</u>	<u>\$ (16,730,530)</u>
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				4,525,694
Taxes Levied for Debt Service				1,572,179
Taxes Levied for Other Specific Purposes				(95)
Federal and State Aid, Not Restricted				9,304,690
Interest and Investment Earnings				40,715
Miscellaneous				657,053
Total General Revenues				<u>16,100,236</u>
Change in Net Position				(630,294)
Net Position Beginning - As Restated (See Note Q)				(12,424,513)
Net Position Ending				<u>\$ (13,054,807)</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Cafeteria Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 897,605	\$ 42,712
Cash on Hand and in Banks	26,077	808
Cash in Revolving Fund	2,500	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	750,336	28,809
Due from Other Funds	50,619	36,737
Stores Inventories	-	7,246
Prepaid Expenditures	110,575	-
Total Assets	<u>1,837,712</u>	<u>116,312</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 383,835	\$ 14,889
Due to Other Funds	36,737	68,619
Unearned Revenue	5,921	-
Total Liabilities	<u>426,493</u>	<u>83,508</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,500	-
Stores Inventories	-	7,246
Prepaid Items	110,575	-
Restricted Fund Balances	262,139	25,558
Unassigned:		
Reserve for Economic Uncertainty	651,440	-
Other Unassigned	384,565	-
Total Fund Balance	<u>1,411,219</u>	<u>32,804</u>
Total Liabilities and Fund Balances	<u>\$ 1,837,712</u>	<u>\$ 116,312</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,830,567	\$ 7,913	\$ 2,778,797
-	-	26,885
-	-	2,500
-	3	3
-	12	779,157
-	18,000	105,356
-	-	7,246
-	-	110,575
<u>1,830,567</u>	<u>25,928</u>	<u>3,810,519</u>
\$ -	\$ -	\$ 398,724
-	-	105,356
-	-	5,921
<u>-</u>	<u>-</u>	<u>510,001</u>
-	-	2,500
-	-	7,246
-	-	110,575
1,830,567	25,928	2,144,192
-	-	651,440
-	-	384,565
<u>1,830,567</u>	<u>25,928</u>	<u>3,300,518</u>
<u>\$ 1,830,567</u>	<u>\$ 25,928</u>	<u>\$ 3,810,519</u>

ALPINE UNION SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - governmental funds balance sheet		\$	3,300,518
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>(17,746,688)</u>
	Net:		17,380,886
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 unmatrued interest owing at the end of the period was:			
			(59,471)
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		15,853,085
	Compensated absences payable		164,259
	Net pension liability		12,511,409
	Net OPEB obligation		1,655,019
	Certificates of Participation		3,522,642
	Capital leases payable		<u>429,847</u>
	Total:		(34,136,261)
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		1,539,372
	Deferred inflows of resources relating to pensions		<u>(1,079,851)</u>
Net position of governmental activities - statement of net position		\$	<u>(13,054,807)</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Cafeteria Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 5,911,233	\$ -
Education Protection Account Funds	2,140,383	-
Local Sources	4,524,121	-
Federal Revenue	665,938	297,532
Other State Revenue	1,898,848	20,678
Other Local Revenue	1,546,203	246,618
Total Revenues	<u>16,686,726</u>	<u>564,828</u>
Expenditures:		
Current:		
Instruction	10,185,585	-
Instruction - Related Services	1,039,333	-
Pupil Services	1,133,146	574,773
Community Services	279,003	-
General Administration	1,703,049	-
Plant Services	1,336,267	4,352
Other Outgo	36,460	-
Capital Outlay	73,445	-
Debt Service:		
Principal	420,968	-
Interest	78,756	-
Total Expenditures	<u>16,286,012</u>	<u>579,125</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>400,714</u>	<u>(14,297)</u>
Other Financing Sources (Uses):		
Transfers In	-	36,737
Transfers Out	(36,737)	-
Total Other Financing Sources (Uses)	<u>(36,737)</u>	<u>36,737</u>
Net Change in Fund Balance	363,977	22,440
Fund Balance, July 1	1,047,242	10,364
Fund Balance, June 30	<u>\$ 1,411,219</u>	<u>\$ 32,804</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,911,233
-	-	2,140,383
-	-	4,524,121
-	-	963,470
16,170	-	1,935,696
1,561,104	74,495	3,428,420
<u>1,577,274</u>	<u>74,495</u>	<u>18,903,323</u>
-	-	10,185,585
-	-	1,039,333
-	-	1,707,919
-	-	279,003
-	210,828	1,913,877
-	-	1,340,619
-	-	36,460
-	-	73,445
979,719	-	1,400,687
401,456	-	480,212
<u>1,381,175</u>	<u>210,828</u>	<u>18,457,140</u>
<u>196,099</u>	<u>(136,333)</u>	<u>446,183</u>
-	-	36,737
<u>-</u>	<u>-</u>	<u>(36,737)</u>
<u>-</u>	<u>-</u>	<u>-</u>
196,099	(136,333)	446,183
1,634,468	162,261	2,854,335
<u>\$ 1,830,567</u>	<u>\$ 25,928</u>	<u>\$ 3,300,518</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, 2016

Net change in fund balances - total governmental funds		\$	446,183
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		73,445
	Depreciation expense		<u>(1,019,664)</u>
	Net:		(946,219)
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:			
			1,400,687
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:			
			(462,539)
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:			
			(1,026,071)
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:			
			(163,501)
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:			
			(27,503)
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:			
			<u>148,669</u>
Change in net position of governmental activities - statement of activities		\$	<u>(630,294)</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2016

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 58,705
Total Assets	<u>58,705</u>
LIABILITIES:	
Due to Student Groups	\$ 58,705
Total Liabilities	<u>58,705</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

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.

2. 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.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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.

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.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

3. 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.

4. 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.

5. 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, interest, certain grants, and other local sources.

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

b. Expenses/Expenditures

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

d. Receivable and Payable Balances

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

e. Compensated Absences

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

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

f. Unearned Revenue

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

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. Minimum Fund Balance

The District has adopted a policy to maintain a minimum economic uncertainty reserve of at least 3% of total general fund expenditures and other financing uses. The reserve may be increased from time to time in order to address specific anticipated revenue or cash flow shortfalls. It is the District's intent to continuously sustain a 4% economic uncertainty reserve. The primary purpose of this reserve is to avoid the need for service level reductions in the event of economic downturn. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or 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.

8. 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, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

9. 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.

10. 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.

11. Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

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.

Violation	Action Taken
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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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 (\$2,778,797 as of June 30, 2016). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,778,797. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

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

Cash balances on hand and in banks (\$85,590 as of June 30, 2016) 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, 2016 are shown below.

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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.

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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, 2016, the District's bank balances (including revolving cash) of were not exposed to this risk.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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D. Accounts Receivable

Accounts receivable at June 30, 2016 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	\$ 417,305	\$ 22,580	\$ -	\$ 439,885
State Government:				
Lottery	188,635	-	-	188,635
Special Education	49,675	-	-	49,675
Other State Programs	-	2,445	-	2,445
Local Sources:				
Interest	2,639	39	12	2,690
Property Loss Claim	40,713	-	-	40,713
Other Local Revenues	51,369	3,745	-	55,114
Total	\$ 750,336	\$ 28,809	\$ 12	\$ 779,157

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

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,137,026	\$ -	\$ -	\$ 2,137,026
Total capital assets not being depreciated	<u>2,137,026</u>	<u>-</u>	<u>-</u>	<u>2,137,026</u>
Capital assets being depreciated:				
Buildings	24,389,037	-	-	24,389,037
Improvements	7,296,382	-	-	7,296,382
Equipment	1,231,684	73,445	-	1,305,129
Total capital assets being depreciated	<u>32,917,103</u>	<u>73,445</u>	<u>-</u>	<u>32,990,548</u>
Less accumulated depreciation for:				
Buildings	(10,422,902)	(624,165)	-	(11,047,067)
Improvements	(5,287,392)	(343,029)	-	(5,630,421)
Equipment	(1,016,730)	(52,470)	-	(1,069,200)
Total accumulated depreciation	<u>(16,727,024)</u>	<u>(1,019,664)</u>	<u>-</u>	<u>(17,746,688)</u>
Total capital assets being depreciated, net	<u>16,190,079</u>	<u>(946,219)</u>	<u>-</u>	<u>15,243,860</u>
Governmental activities capital assets, net	<u>\$ 18,327,105</u>	<u>\$ (946,219)</u>	<u>\$ -</u>	<u>\$ 17,380,886</u>

Depreciation was charged to functions as follows:

Instruction	\$ 836,346
Instruction-Related Services	122,005
Pupil Services	57,382
General Administration	3,306
Plant Services	625
	<u>\$ 1,019,664</u>

ALPINE UNION SCHOOL DISTRICT
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F. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	\$ 50,619	Reimburse expenses
Cafeteria Fund	General Fund	36,737	Contribution for cash shortage
Capital Facility Fund	Cafeteria Fund	18,000	Temporary loan
	Total	<u>\$ 105,356</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Cafeteria Fund	\$ 36,737	Contribution for cash shortage
	Total	<u>\$ 36,737</u>	

G. Accounts Payable

Accounts payable at June 30, 2016 consisted of:

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Cafeteria Fund		
Vendor payables	\$ 298,835	\$ 14,889	\$ -	\$ 313,724
Payroll and related benefits	5,000		-	5,000
Pension related liabilities	80,000		-	80,000
Totals	<u>\$ 383,835</u>	<u>\$ 14,889</u>	<u>\$ -</u>	<u>\$ 398,724</u>

H. Unearned Revenue

Unearned revenue consisted of the following:

	General Fund
Federal Government: Categorical Programs	\$ 5,921
Total	<u>\$ 5,921</u>

ALPINE UNION SCHOOL DISTRICT
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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 2015 issued September 10, 2015. The notes due on June 30, 2016 bore an interest rate of 2.00%. The District's share of Tax and Revenue Anticipation Notes issued was \$1,205,000. The notes were issued to supplement cash flows of the district. The notes and interest were repaid by the district on June 30, 2016.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Revenue Anticipation Notes	\$ -	\$ 1,205,000	\$ 1,205,000	\$ -

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, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 16,351,241	\$ 897,354	\$ 1,395,510	\$ 15,853,085	\$ 1,529,792
Capital leases	520,815	-	90,968	429,847	95,068
Net OPEB obligation	1,491,518	365,052	201,551	1,655,019	-
Certificates of participation	3,848,791	-	326,149	3,522,642	321,149
Net pension liability	11,163,906	1,347,503	-	12,511,409	-
Compensated absences *	312,928	-	148,669	164,259	164,259
Total governmental activities	\$ 33,689,199	\$ 2,609,909	\$ 2,162,847	\$ 34,136,261	\$ 2,110,268

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, net OPEB obligation, bond premium, COPs discount, and net pension liability at June 30, 2015 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2017	\$ 807,371	\$ 971,956	\$ 19,712	\$ 1,799,039
2018	674,593	1,114,762	15,426	1,804,781
2019	649,218	1,265,689	10,948	1,925,855
2020	660,390	1,407,069	8,394	2,075,853
2021	659,527	1,515,605	5,721	2,180,853
2022-2026	2,896,697	8,986,229	2,927	11,885,853
Totals	\$ 6,347,796	\$ 15,261,310	\$ 63,128	\$ 21,672,234

ALPINE UNION SCHOOL DISTRICT
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3. General Obligation Bonds

General obligation bonds at June 30, 2016 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
2010 Current Interest Refunding	11/04/2010	1.45-3.00%	08/01/2015	3,055,000
Total GO Bonds				<u>\$ 9,129,891</u>

	Beginning Balance	Increases	Decreases	Ending Balance
1997-A Capital Appreciation	\$ 2,410,605	\$ -	\$ -	\$ 2,410,605
1997-A Accreted Interest	3,734,065	340,492	-	4,074,557
1997-A Bond Premium	23,070	-	2,884	20,186
1997-B Capital Appreciation	3,577,804	-	234,719	3,343,085
1997-B Accreted Interest	5,775,901	556,862	390,281	5,942,482
1997-B Bond Premium	69,079	-	6,908	62,171
2010 Current Interest Refunding	745,000	-	745,000	-
2010 Bond Premium	15,718	-	15,718	-
Total GO Bonds	<u>\$ 16,351,242</u>	<u>\$ 897,354</u>	<u>\$ 1,395,510</u>	<u>\$ 15,853,086</u>

The annual requirements to amortize the bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2017	\$ 548,044	\$ 971,956	\$ -	\$ 1,520,000
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
2022-2026	2,833,771	8,986,229	-	11,820,000
Totals	<u>\$ 5,753,690</u>	<u>\$ 15,261,310</u>	<u>\$ -</u>	<u>\$ 21,015,000</u>

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, 2016.

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 95,068	\$ 19,712	\$ 114,780
2018	99,355	15,426	114,781
2019	54,907	10,948	65,855
2020	57,459	8,394	65,853
2021	60,132	5,721	65,853
2022-2026	62,926	2,927	65,853
Totals	<u>\$ 429,847</u>	<u>\$ 63,128</u>	<u>\$ 492,975</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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5. Certificates of Participation

Certificates of participation at June 30, 2016 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2010 Series A Taxable COPs	06/16/2010	4.513-7.33%	04/15/2027	\$ 4,470,000
Total COPs				<u>\$ 4,470,000</u>
	Beginning Balance	Increases	Decreases	Ending Balance
2010 Series A Taxable COPs	\$ 3,895,000	\$ -	\$ 330,000	\$ 3,565,000
2010 Series A COPs Discount	(46,209)	-	(3,851)	(42,358)
Total COPs	<u>\$ 3,848,791</u>	<u>\$ -</u>	<u>\$ 326,149</u>	<u>\$ 3,522,642</u>

Future commitments for certificates of participation as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 325,000	\$ 202,670	\$ 527,670
2018	320,000	193,752	513,752
2019	310,000	180,456	490,456
2020	320,000	166,518	486,518
2021	305,000	150,682	455,682
2022-2026	1,625,000	470,781	2,095,781
2027-2031	360,000	26,388	386,388
Totals	<u>\$ 3,565,000</u>	<u>\$ 1,391,247</u>	<u>\$ 4,956,247</u>

6. 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:

	1997 Series A Bonds	1997 Series B Bonds	2010 Ref. Bonds
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	<u>\$ 5,452,302</u>	<u>\$ 10,090,514</u>	<u>\$ 139,642</u>
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%

ALPINE UNION SCHOOL DISTRICT
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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:

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

K. Components of Ending Fund Balance

As of June 30, 2015 ending fund balance consisted of the following:

	General Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores Inventories	-	7,246	-	-	7,246
Prepaid Expenses	110,575	-	-	-	110,575
Total Nonspendable	<u>113,075</u>	<u>7,246</u>	<u>-</u>	<u>-</u>	<u>120,321</u>
Restricted Fund Balances					
Educational Programs	154,139	-	-	-	154,139
Capital Projects	108,000	-	-	25,928	133,928
Child Nutrition Program	-	25,558	-	-	25,558
Debt Service	-	-	1,830,567	-	1,830,567
Total Restricted	<u>262,139</u>	<u>25,558</u>	<u>1,830,567</u>	<u>25,928</u>	<u>2,144,192</u>
Unassigned Fund Balances					
For Economic Uncertainty	651,440	-	-	-	651,440
Other Unassigned	384,565	-	-	-	384,565
Total Unassigned	<u>1,036,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036,005</u>
Total Fund Balance	<u>\$ 1,411,219</u>	<u>\$ 32,804</u>	<u>\$ 1,830,567</u>	<u>\$ 25,928</u>	<u>\$ 3,300,518</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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L. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information of the District's share of the JPAs for the year ended June 30, 2016 is as follows:

	<u>SDCSRМ</u>	<u>FBC</u>	<u>Total</u>
Total Assets	\$ 926	\$ 139,596	\$ 140,522
Total Liabilities	3,135	13,155	16,290
Total Fund Balance	<u>\$ (2,209)</u>	<u>\$ 126,441</u>	<u>\$ 124,232</u>
Total Cash Receipts	\$ 7,271	\$ 74,350	\$ 81,621
Total Cash Disbursements	162	84,888	85,050
Net Change in Fund Balance	<u>\$ 7,109</u>	<u>\$ (10,538)</u>	<u>\$ (3,429)</u>

The District has a deficit fund balance with the SDCSRМ. 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 Paid

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

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The Plans' provisions and benefits in effect at June 30, 2016 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, 2015)	8.150%	8.150%
Required employer contribution rates (at June 30, 2015)	8.880%	8.880%
Required state contribution rates (at June 30, 2015)	5.679%	5.679%
Required employee contribution rates (at June 30, 2016)	9.200%	8.56%**
Required employer contribution rates (at June 30, 2016)	10.73%	10.73%
Required state contribution rates (at June 30, 2016)	7.126%	7.126%

*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, 2015)	7.00%	6.00%
Required employer contribution rates (at June 30, 2015)	11.771%	11.771%
Required employee contribution rates (at June 30, 2016)	7.00%	6.00%
Required employer contribution rates (at June 30, 2016)	11.847%	11.847%

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

c. Contributions - 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, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. For the fiscal year ending June 30, 2016, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 11.847%.

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d. Contributions - CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.88% of creditable compensation. 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. For the fiscal year ended June 30, 2016 required employee rate is 9.20% if the employee started before January 1, 2013 and 8.56% if the employee started on or after January 1, 2013. For the fiscal year ended June 30, 2016 the required employer contribution rate is 10.730%.

e. 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, 2015 (measurement date) the State contributed 5.678848% of salaries creditable to CalSTRS. For the fiscal year ended June 30, 2016 the State contribution rate was 7.126% 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.

f. Contributions Recognized

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

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 617,215	\$ 209,100	\$ 826,315
Contributions - Employee	616,231	125,820	742,051
Contributions - State On Behalf Payments	390,380	-	390,380
Total Contributions	<u>\$ 1,623,826</u>	<u>\$ 334,920</u>	<u>\$ 1,958,746</u>

g. Pension Expense

	CalSTRS	CalPERS	Total
Change in Net Pension Liability	\$ 989,330	\$ 358,173	\$ 1,347,503
Increases/(Decreases) Resulting from Changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions made subsequent to measurement date	(154,411)	(25,186)	(179,597)
Difference between actual and expected experience	(1,973)	(144,775)	(146,748)
Changes in assumptions	-	155,646	155,646
Changes in proportionate share	258,404	146,374	404,778
Net Difference between projected and actual experience	2,696	(558,208)	(555,512)
Total Pension Expense	<u>\$ 1,094,046</u>	<u>\$ (67,976)</u>	<u>\$ 1,026,070</u>

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 10,156,845
CalPERS	2,354,564
Total Net Pension Liability	<u>\$ 12,511,409</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, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total for District Employees	
Proportion - June 30, 2014	0.0156%	0.0099%	0.0255%	0.0176%
Proportion - June 30, 2015	0.0150%	0.0095%	0.0245%	0.0160%
Change - Increase (Decrease)	<u>-0.0006%</u>	<u>-0.0004%</u>	<u>-0.0010%</u>	<u>-0.0016%</u>

For the year ended June 30, 2016, the District recognized pension expense of \$1,026,070.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,005,912	\$ -
Differences between actual and expected experience	146,748	-
Changes in assumptions	-	(155,646)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(404,778)
Net difference between projected and actual earnings on plan investments	<u>386,712</u>	<u>(519,427)</u>
Total	<u>\$ 1,539,372</u>	<u>\$ (1,079,851)</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

\$1,005,912 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	\$ 133,365	\$ (312,979)	\$ (179,614)
2018	133,365	(312,979)	(179,614)
2019	133,365	(312,977)	(179,612)
2020	133,365	(140,916)	(7,551)
Total	<u>\$ 533,460</u>	<u>\$ (1,079,851)</u>	<u>\$ (546,391)</u>

a. Actuarial Assumptions

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

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age - Normal 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)	.00125-.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

b. Discount Rate

The discount rate used to measure the total pension liability was 7.6000% for CalSTRS and 7.6500% 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.

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.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS		
Asset Class	Allocation 06/30/15	Long Term Expected Return*
Global Equity	57.40%	4.50%
Private Equity	10.10%	6.20%
Real Estate	12.70%	4.35%
Inflation Sensitive	0.80%	3.20%
Fixed Income	15.70%	0.20%
Absolute Return	1.50%	-
Liquidity	1.80%	-

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

CalPERS			
Asset Class	Allocation 06/30/15	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	53.80%	5.25%	5.71%
Global Fixed Income	17.60%	0.99%	2.43%
Inflation Sensitive	5.20%	0.45%	3.36%
Private Equity	9.60%	6.83%	6.95%
Real Estate	10.50%	4.50%	5.13%
Absolute Return	0.40%	-	-
Plan Level	0.40%	-	-
Liquidity	2.50%	-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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

c. 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	\$ 15,289,532	\$ 3,832,251
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 10,156,845	\$ 2,354,564
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 5,834,761	\$ 1,125,771

d. 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, 2015 (Previously Reported)	\$ 63,557,944	\$ 48,636,438	\$ 14,921,506	\$ 5,809,148	\$ 9,112,358
Adjustment for CalSTRS Audit Adjustments	-	(39,754)	39,754	(15,402)	55,156
Balance at June 30, 2015 (As Adjusted)	63,557,944	48,596,684	14,961,260	5,793,746	9,167,514
Changes for the year:					
Change in proportionate share	(2,440,727)	(1,867,719)	(573,008)	(250,005)	(323,003)
Service cost	1,364,212	-	1,364,212	528,547	835,665
Interest	4,556,214	-	4,556,214	1,765,247	2,790,967
Differences between expected and actual experience	(322,147)	-	(322,147)	(124,812)	(197,335)
Contributions:					
Employer	-	617,215	(617,215)	(254,743)	(362,472)
Employee	-	616,231	(616,231)	(238,751)	(377,480)
State On Behalf	-	390,380	(390,380)	(135,637)	(254,743)
Net investment income	-	1,868,952	(1,868,952)	(724,102)	(1,144,850)
Other income	-	966	(966)	(374)	(592)
Benefit payments, including refunds of employee contributions	(3,085,093)	(3,085,093)	-	-	-
Administrative expenses	-	(37,832)	37,832	14,658	23,174
Net Changes	72,459	(1,496,900)	1,569,359	580,028	989,331
Balance at June 30, 2016	\$ 63,630,403	\$ 47,099,784	\$ 16,530,619	\$ 6,373,774	\$ 10,156,845

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	\$ 12,009,684	\$ 10,013,293	\$ 1,996,391
Changes for the year:			
Adjustment for Change in Proportionate Share	(1,100,677)	(917,709)	(182,968)
Service cost	259,575	-	259,575
Interest	823,057	-	823,057
Differences between expected and actual experience	180,969	-	180,969
Changes in assumptions	(194,558)	-	(194,558)
Contributions - Employer	-	209,100	(209,100)
Contributions - Employee	-	125,820	(125,820)
Net plan to plan resource movement	-	(21)	21
Net investment income	-	203,246	(203,246)
Benefit payments, including refunds of employee contributions	(532,582)	(532,582)	-
Administrative expenses	-	(10,243)	10,243
Net Changes	<u>(564,216)</u>	<u>(922,389)</u>	<u>358,173</u>
Balance at June 30, 2016	<u>\$ 11,445,468</u>	<u>\$ 9,090,904</u>	<u>\$ 2,354,564</u>

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 119 eligible active employees and 40 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 2015-16, the District contributed \$201,551 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.

ALPINE UNION SCHOOL DISTRICT
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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	\$ 357,594
Interest on OPEB obligation	7,458
Annual OPEB cost	<u>365,052</u>
Contribution made	<u>(201,551)</u>
Increase in net OPEB obligation	163,501
Net OPEB obligation, beginning of year	1,491,518
Net OPEB obligation, end of year	<u>\$ 1,655,019</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2015 and 2016 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 364,187	50.00%	\$ 1,329,275
2015	357,973	54.68%	1,491,518
2016	365,052	55.21%	1,655,019

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, 2014 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorated. 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 9.0% 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, 2014 of 24 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.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

O. Deferred Outflows of Resources

On November 4, 2010 the District issued general obligation refunding bonds in the amount of \$3,055,000. The refunding resulted in a loss on refunding of \$137,516. In accordance with GASB Statement No. 65, the loss is recorded as a deferred outflow of resources and amortized over the life of the debt using the straight line method.

Consistent with the requirements of GASB Statement No. 71, contributions to pensions after the measurement date are recorded as deferred outflows of resources.

A summary of deferred outflows of resources as of June 30, 2016 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Refunding Loss	11/04/2010	5 Years	\$ 27,503	\$ -	\$ 27,503	\$ -
Pension Related	Varies	Varies	826,315	1,672,737	959,680	1,539,372
Total Deferred Outflows of Resources			<u>\$ 853,818</u>	<u>\$ 1,672,737</u>	<u>\$ 987,183</u>	<u>\$ 1,539,372</u>

P. Deferred Inflows of Resources

Consistent with the requirements of GASB Statement No. 68, the District has recorded changes in assumptions, change in proportionate share and the net difference between projected and actual earnings on pension plan investments (\$1,079,851 as of June 30, 2015) as deferred inflows of resources.

Q. Adjustment to Beginning 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)	\$ (13,852,132)
Adjustments for:	
Correction to Net Pension Liability	184,041
Correction to Deferred Outflows of Resources - Pension Related	(1,057,142)
Correction to Deferred Inflows of Resources - Pension Related	<u>2,300,720</u>
Net Position, Beginning (As Restated)	<u>\$ (12,424,513)</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

R. 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.

S. Subsequent Events

Tax Revenue Anticipation Notes

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

New Accounting Pronouncements

GASB Statement No. 74

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

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

The District has adopted the provisions of GASB Statement No. 74 effective for the 2016-17 fiscal year.

GASB Statement No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

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

- 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.

- The gross dollar amount of taxes abated during the period.

- Commitments made by a government, other than to abate taxes, as a part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements

- The specific taxes being abated

- The gross dollar amount of taxes abated during the period

The District has adopted the provisions of GASB Statement No. 77 effective for the 2016-17 fiscal year.

GASB Statement No. 78

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

GASB Statement No. 79

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 79 Certain External Investment Pools and Pool Participants This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. 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 has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 fiscal year.

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 6,655,360	\$ 6,047,901	\$ 5,911,233	\$ (136,668)
Education Protection Account Funds	1,914,712	2,088,473	2,140,383	51,910
Local Sources	4,003,048	4,482,445	4,524,121	41,676
Federal Revenue	635,041	646,002	665,938	19,936
Other State Revenue	1,341,055	1,360,797	1,898,848	538,051
Other Local Revenue	1,453,655	1,461,644	1,546,203	84,559
Total Revenues	<u>16,002,871</u>	<u>16,087,262</u>	<u>16,686,726</u>	<u>599,464</u>
Expenditures:				
Current:				
Certificated Salaries	7,531,531	7,531,531	7,401,832	129,699
Classified Salaries	2,814,743	2,814,743	2,714,498	100,245
Employee Benefits	2,779,364	2,779,364	3,206,847	(427,483)
Books And Supplies	694,953	711,202	482,396	228,806
Services And Other Operating Expenditures	1,314,312	1,314,052	1,907,270	(593,218)
Capital Outlay	75,000	75,000	73,445	1,555
Debt Service:				
Principal	420,967	420,967	420,968	(1)
Interest	82,033	82,033	78,756	3,277
Total Expenditures	<u>15,712,903</u>	<u>15,728,892</u>	<u>16,286,012</u>	<u>(557,120)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>289,968</u>	<u>358,370</u>	<u>400,714</u>	<u>42,344</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(36,737)	(36,737)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(36,737)</u>	<u>(36,737)</u>
Net Change in Fund Balance	289,968	358,370	363,977	5,607
Fund Balance, July 1	1,047,242	1,047,242	1,047,242	-
Fund Balance, June 30	<u>\$ 1,337,210</u>	<u>\$ 1,405,612</u>	<u>\$ 1,411,219</u>	<u>\$ 5,607</u>

See Accompanying Notes to Required Supplementary Information

ALPINE UNION SCHOOL DISTRICT

EXHIBIT B-2

CAFETERIA FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 230,000	\$ 230,000	\$ 297,532	\$ 67,532
Other State Revenue	19,000	19,000	20,678	1,678
Other Local Revenue	273,000	273,000	246,618	(26,382)
Total Revenues	<u>522,000</u>	<u>522,000</u>	<u>564,828</u>	<u>42,828</u>
Expenditures:				
Current:				
Classified Salaries	239,000	239,000	245,193	(6,193)
Employee Benefits	40,754	40,754	40,940	(186)
Books And Supplies	230,000	230,000	280,842	(50,842)
Services And Other Operating Expenditures	9,500	9,500	12,150	(2,650)
Total Expenditures	<u>519,254</u>	<u>519,254</u>	<u>579,125</u>	<u>(59,871)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,746</u>	<u>2,746</u>	<u>(14,297)</u>	<u>(17,043)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	36,737	36,737
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>36,737</u>	<u>36,737</u>
Net Change in Fund Balance	2,746	2,746	22,440	19,694
Fund Balance, July 1	10,364	10,364	10,364	-
Fund Balance, June 30	<u>\$ 13,110</u>	<u>\$ 13,110</u>	<u>\$ 32,804</u>	<u>\$ 19,694</u>

See Accompanying Notes to Required Supplementary Information

ALPINE UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2016

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%

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0150%	0.0156%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 10,156,845	\$ 9,167,515	\$ N/A	\$ 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	6,373,774	5,793,746	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ 16,530,619	\$ 14,961,261	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 7,191,295	\$ 6,950,619	\$ N/A	\$ 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	141.24%	131.89%	N/A	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	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 771,626	\$ 617,215	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(771,626)	(617,215)	N/A	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	\$ N/A
District's covered-employee payroll	\$ 7,191,295	\$ 6,950,619	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0160%	0.0176%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 2,354,564	\$ 1,996,391	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 1,977,598	\$ 1,776,400	\$ N/A	\$ 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	119.06%	112.38%	N/A	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	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 234,286	\$ 209,100	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(234,286)	(209,100)	N/A	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	\$ N/A
District's covered-employee payroll	\$ 1,977,598	\$ 1,776,400	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information 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, 2016

Excess of Expenditures Over Appropriations

As of June 30, 2016, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Employee Benefits	\$ 427,483	The District did not budget for on behalf payments to CalSTF
Services & Other	593,218	The District underestimated the costs of services
Debt Service Principal	1	Rounding variance
Cafeteria Fund:		
Classified Salaries	\$ 6,193	The District underestimated the costs of salaries
Employee Benefits	186	The District underestimated the costs of employee benefits
Books & Supplies	50,842	The District underestimated the costs of supplies
Services & Other	2,650	The District underestimated the costs of services

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

Benefit Changes: In 2015 & 2016 there were no changes to benefits

Changes in Assumptions: In 2015 & 2016 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, 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>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010	July 1, 2007 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%
Post Retirement Benefit Increases	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 there were no changes to benefits.

Changes in Assumptions: In 2015 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>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 1996 through June 30, 2010	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post Retirement Benefit Increases	2.00% Simple	2.00% - 2.75%

The mortality table used was developed based on CalPERS specified 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 experience studies available on the CalPERS website.

Combining Statements and Budget Comparisons 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, 2016

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit A-5)
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash in County Treasury	\$ -	\$ 7,913	\$ 7,913
Cash with a Fiscal Agent/Trustee	3	-	3
Accounts Receivable	-	12	12
Due from Other Funds	-	18,000	18,000
Total Assets	<u>3</u>	<u>25,925</u>	<u>25,928</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ 3	\$ 25,925	\$ 25,928
Total Fund Balance	<u>3</u>	<u>25,925</u>	<u>25,928</u>
Total Liabilities and Fund Balances	<u>\$ 3</u>	<u>\$ 25,925</u>	<u>\$ 25,928</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, 2016

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit A-7)
Revenues:			
Other Local Revenue	\$ -	\$ 74,495	\$ 74,495
Total Revenues	<u>-</u>	<u>74,495</u>	<u>74,495</u>
Expenditures:			
Current:			
General Administration	-	210,828	210,828
Total Expenditures	<u>-</u>	<u>210,828</u>	<u>210,828</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(136,333)</u>	<u>(136,333)</u>
Net Change in Fund Balance	-	(136,333)	(136,333)
Fund Balance, July 1	3	162,258	162,261
Fund Balance, June 30	<u>\$ 3</u>	<u>\$ 25,925</u>	<u>\$ 25,928</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, 2016

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
Dr. Tim Caruthers	Vice President	Four year term Expires December 2016
Al Guerra	Clerk	Four year term Expires December 2018
Eric Wray	Member	Four year term Expires December 2018
Joseph Perricone	Member	Four year term Expires December 2016

Administration

Edward Velasquez
Interim Superintendent

Melody Belcher
Director of Human
Resources and
Pupil Services

Jennifer Nerat
Business Manager

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2016

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	714.56	714.09	724.46	723.86
Extended Year Special Education	1.94	1.94	1.94	1.94
TK/K-3 Totals	<u>716.50</u>	<u>716.03</u>	<u>726.40</u>	<u>725.80</u>
Grades 4-6:				
Regular ADA	546.09	546.09	531.98	531.98
Extended Year Special Education	0.55	0.55	0.55	0.55
Grades 4-6 Totals	<u>546.64</u>	<u>546.64</u>	<u>532.53</u>	<u>532.53</u>
Grades 7-8:				
Regular ADA	365.39	365.39	349.36	349.36
Extended Year Special Education	0.62	0.62	0.62	0.62
Grades 7-8 Totals	<u>366.01</u>	<u>366.01</u>	<u>349.98</u>	<u>349.98</u>
ADA totals	<u><u>1,629.15</u></u>	<u><u>1628.68</u></u>	<u><u>1,608.91</u></u>	<u><u>1608.31</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, 2016

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	49,620	180	-	Complied
Kindergarten	36,000	49,620	180	-	Complied
Grade 1	50,400	52,650	180	-	Complied
Grade 2	50,400	52,650	180	-	Complied
Grade 3	50,400	52,650	180	-	Complied
Grade 4	54,000	55,125	180	-	Complied
Grade 5	54,000	55,125	180	-	Complied
Grade 6	54,000	57,090	180	-	Complied
Grade 7	54,000	57,090	180	-	Complied
Grade 8	54,000	57,090	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, 2016

TABLE D-3

General Fund	Budget 2017 (See Note 1)	2016	2015	2014
Revenues and other financial sources	\$ 16,405,476	\$ 16,686,726	\$ 14,911,606	\$ 14,732,695
Expenditures, other uses and transfers out	16,287,777	16,322,749	14,954,770	15,148,753
Change in fund balance (deficit)	117,699	363,977	(43,164)	(416,058)
Ending fund balance	\$ 1,528,918	\$ 1,411,219	\$ 1,047,242	\$ 1,090,406
Available reserves (See Note 2)	\$ 1,187,567	\$ 1,036,005	\$ 891,491	\$ 716,999
Available reserves as a percentage of total outgo (See Note 3)	7.3%	6.5%	6.1%	4.8%
Total long-term debt	\$ 32,025,993	\$ 34,136,261	\$ 33,689,200	\$ 22,679,798
Average daily attendance at P-2	1,621	1,629	1,638	1,704

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 \$320,813 (29.42%) over the past two years. The fiscal year 2016-17 budget projects an increase of \$117,699 (8.34%). 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 \$11,456,463 over the past two years (See Note 4).

Average daily attendance has decreased by 75 over the past three years.

Notes:

- 1 Budget 2017 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 \$492,370, \$390,398, and \$363,403, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014.
- 4 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the years ended June 30, 2015 and June 30, 2016 are not comparable to previous years represented in this table.

ALPINE UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2016

TABLE D-4

	General Fund	Cafeteria Fund	Capital Facilities Fund
June 30, 2016, annual financial and budget report fund balances	\$ 1,395,907	\$ 10,256	\$ 25,913
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Cash on Hand and In Banks Understatement	25,541	495	-
Accounts Receivable Overstatement	(8,915)	-	-
Unearned Revenue Understatement	(1,314)	-	-
Accounts Receivable Understatement	-	25,063	12
Stores Inventory Overstatement	-	(3,010)	-
Net adjustments and reclassifications	15,312	22,548	12
June 30, 2016, audited financial statement fund balances	\$ 1,411,219	\$ 32,804	\$ 25,925

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, 2016

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13526	\$ -	\$ 60,372
National School Lunch Program Section 4	10.555	13391	-	34,525
National School Lunch Program - Noncash Commodities	10.555	13396	-	45,390
National School Lunch Program Section 11	10.555	13396	-	157,246
Total Passed Through State Department of Education			-	297,533
Total U. S. Department of Agriculture			-	297,533
Total Child Nutrition Cluster			-	297,533
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education: IDEA Basic Local Assistance	84.027	13379	-	320,463
Special Education: IDEA Preschool Local Entitlement	84.027	13682	-	31,917
Special Education: IDEA Preschool Grants	84.173	13430	-	23,241
Special Education: IDEA Preschool Staff Development	84.173	13431	-	124
Total Passed Through State Department of Education			-	375,745
Total U. S. Department of Education			-	375,745
Total Special Education (IDEA) Cluster			-	375,745
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I Part A Basic	84.010	14329	-	122,150
Impact Aid - P.L. 81.874	84.041	10015	-	66,422
Indian Education	84.060	10011	-	13,175
Workability	84.126	10006	-	12,959
Title II Teacher Quality	84.367	14341	-	75,487
Total Passed Through State Department of Education			-	290,193
Total U. S. Department of Education			-	290,193
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 963,471

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, 2016

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alpine Union School District and is presented on the modified accrual basis of accounting. The information in this 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*. Therefore, some amounts presented in this schedule 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 5.45% 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 School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs.

Other Independent Auditor's Reports

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, 2016, and the related notes to the financial statements, which collectively comprise Alpine Union School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

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.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2016-002, 2016-003, and 2016-004.

Alpine Union School District's Response to Findings

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
December 15, 2016



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, 2016. 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, 2016.

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
December 15, 2016

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 *2015-16 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, 2016.

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, *2015-16 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, *2015-16 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:

Compliance Requirements	Procedures in Audit Guide Performed?
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
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, 2016.

Other Matters

The results of our auditing procedures disclosed an instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2015-16 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, and 2016-004.

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 *2015-16 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
December 15, 2016

Findings and Recommendations Section

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X 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 X No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? X 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? X 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, 2016

B. Financial Statement Findings

Finding 2016-001 (30000)
Year End Closing

Criteria or Specific Requirement

Determine that the District has procedures and controls in place to ensure accurate financial reporting.

Condition

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 in areas of accounts payable, accounts receivable, and unearned revenue. In addition, there were items that were coded incorrectly in the financial reporting system that were not detected through a closing review.

Questioned Costs

None

Context

The District operates on a modified accrual basis of accounting which requires entries be made at year end to account for accruals of accounts receivable, unearned revenue, and accounts payable. In addition, year end close should include a process of review to ensure accurate reporting of financial information for the fiscal year.

Effect

There were misstatements in the financial statements that were not detected by the District's procedures.

Cause

The District experienced turnover in some key positions during the financial closing period. As a result, the individuals responsible for year end closing were also filling in for other positions and unable to put adequate time into closing the financial statements. With the limitations, the financial records were closed without a review to ensure accuracy. There was no available training opportunities on the legacy financial system as a result of all county office of education support sessions centered on the new financial system, PeopleSoft, which the District had not yet implemented.

Recommendation

We recommend that the District establish closing procedures that include using tools available to assist in preparing closing entries at year end. In addition, we recommend the District implement a review process to ensure accurate reporting. Finally, establish a pool of qualified substitutes that can fill in key positions during times of turnover.

LEA's Response

The District recognizes the importance of a review prior to closing and will ensure a review is in place prior to the 2016-17 year end close. District staff relied heavily on the assistance of the County Office of Education staff for guidance and support with regard to closing activities and was able to close with the assistance of the COE, however, there were no closing review processes provided to District staff to perform.

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2016-002 (10000)
Attendance Reporting

Criteria or Specific Requirement

In accordance with California Education Code Section 44809 and California Code of Regulations, Title 5, Section 401, the California Department of Education is required to approve forms and procedures that constitute LEAs attendance accounting systems. Currently, the California Department of Education approves attendance systems in which teachers manually sign and date attendance registers, depending on the type of attendance accounting system used. For on-line attendance accounting systems, approval is given to systems that provide for teachers signing and dating weekly printout of attendance records entered on-line during the previous week.

Condition

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.

Questioned Costs

None

Context

The condition was identified as a result of our review of attendance procedures being completed at the school sites. Additional tests of attendance allowed us to verify that attendance is reported correctly and as such there is no adjustment to ADA.

Effect

We were not able to determine if attendance was being verified within one week of the attendance period.

Cause

There was a general misunderstanding that the requirement for attendance verification signatures was contemporaneous and within a week of the attendance being taken. The District has implemented procedures to ensure that all attendance is verified timely, but those procedures are not being followed.

Recommendation

Provide training to attendance clerks to ensure understanding of the documentation requirements. Implement procedures to ensure attendance is verified timely by the teachers. The District may also consider submitting for approval an electronic signature process to the California Department of Education to reduce the amount of paper and time is utilized during the current process.

LEA's Response

The District has corrected this finding and has provided training to attendance clerks. Additionally, the District will be working with the auditor to gain approval for the electronic signature process through the California Department of Education.

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-003 (40000)
 Unduplicated Pupil Counts

Criteria or Specific Requirement

- A. Verify a sample of students claimed on the "1.18 - FRPM/English Learner/Foster Youth - Student List" report under the free or reduced price meal program to supporting documentation showing eligibility for the free or reduced price meal program. Supporting documentation can be a free and reduced priced meal eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or the county office of education, that matches enrolled students against those children/households receiving CalFresh (or CALWORKS) benefits.

- B. Verify that student reported as English Learner on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" is supported by documentation that indicates the student was eligible for the designation, such as (a) a copy of the parent/guardian notification letter that states the pupil is initially designated as an EL or is a continuing EL, and a copy of the California English Language Development Test (CELDT) Student performance Level Report that indicates student's overall performance and domain scores do not meet the CELDT criterion for English proficiency, or (b) if the results on the Student Performance Level Report that indicate that the student has met the CELDT criterion for English proficiency, the LEA's Policy/Procedures for Reclassification and documentation that was used to determine the students EL status consistent with the LEA policy.

Condition

- A. In our review of the students reported as Free and Reduced Price Meal (FRPM) eligible on Form "1.18 - FRPM/English Learner/Foster Youth - Student List" we identified nine students out of sixty two tested that were incorrectly designated on the report as FRPM.

- B. In our review of the students reported as English Learner eligible on Form "1.18 - FRPM/English Learner/Foster Youth - Student List" we identified one student out of five tested were incorrectly designated on the report as English Learners.

Questioned Costs

\$12,167 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts after extrapolation of errors.

Audit Adjustments to the counts are as follows:

	Funded Under LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	1,707	0	1,707
Unduplicated Pupil Counts:			
Free & Reduced Meal Program (FRPM)	298	(43)	255
English Learners (ELAS)	28	(6)	22
Both FRPM & ELAS	45	0	45
Other Funded (Direct Certifications, etc)	234	0	234
Total Unduplicated Pupil Counts	605	(49)	556

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Context

Supplemental and concentration grant amounts (as part of the LCFF Funding) are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- 1) Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- 2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Effect

Supplemental and Concentration grants were over funded based on the additional students included in the unduplicated pupil counts.

Cause

The District based the information in CALPADS based on who was receiving free and reduced meals, which included students who had not turned in a meal application but were within the grace period to receive free or reduced meals based on a prior year application. For English Learners. The District did not have a process to review and ensure that all redesignation were completed through CALPADS system.

Recommendation

Implement procedures to ensure that CalPADS data is updated for students that are eligible for unduplicated pupil counts. To be eligible for FRPM status the District must have an application on file collected between July 1 and October 31 of the fiscal year. Establish redesignation procedures over EL eligibility to ensure data is updated in the CalPADS system. Finally, implement review procedures to ensure accurate reporting.

LEA's Response

The District has corrected this finding by implementing procedures with staff to ensure the data is submitted accurately to CalPADS.

Finding 2016-004 (40000)
Immunizations

Criteria or Specific Requirement

Determine that pupils has a California School Immunization Record, CDHP 286 (01/14) on file (or note if prior version, PM 286 (1/02 was used). Verify that the pupils had two doses of measles vaccine as required by Title 17, California Code of Regulations Section 6020 prior to admission, or has a current medical or personal beliefs exemption on file. If the pupil had only one dose prior to admission, verify the second dose was received within three calendar months. If the pupil had only one dose prior to admission and did not have a second dose within three calendar months, verify the pupil was excluded from attendance. If the pupil was included in attendance, note a finding and disallow the average daily attendance (ADA) claimed for any day after three calendar months and ten school days from the first dose until the date of the second dose.

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Condition

In our review of the immunization master list, Alpine Union School District were listed under K>25% Condition. We have review schools's immunization record at Creek Side Early Learning Center, we noted two students out of the twenty tested did not have the proper immunizations at the time of enrollment. One student had a waiver filled out and signed by the parent, but not received by the school until May 27, 2016, and the one student was short one MMR, and second dose was not received until the first day of school year 2016-17.

Questioned Costs

\$3,675 based on reduction of 0.47 ADA for kindergarten at P2 and reduction of 0.60 ADA for kindergarten at Annual.

Context

Schools that offered kindergarten/TK and that are on the master list immunization report, must have the two doses of measles vaccine as required by Title 17, California Code of Regulation Section 6020 prior to admission, or has a current medical or personal beliefs exemption on file at the beginning of the school. The District has one school site with students in kindergarten/TK which appeared on the K>25% Condition.

Effect

The District was not in compliance with Title 17, California Code of Regulations Section 6020. ADA was overstated by 0.47 ADA at P2 and 0.60 ADA at Annual.

Cause

The District did not have a process in place to monitor students immunization records.

Recommendation

Revise P2 and Annual reports of attendance to reflect the decrease in ADA for kindergarten. Implement procedures at all school sites that offer kindergarten and/or transitional kindergarten (TK) to monitor immunizations and ensure compliance to immunization regulations.

LEA's Response

The District's administration has worked closely with staff including the school nurse to ensure that all students will have the proper documentation on file prior to admission. The District will correct its P-2 and Annual report to reflect accurate ADA.

ALPINE UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2015-001 Unduplicated Pupil Counts</p> <p>In our review of students reported as English Learners on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" we identified eight students out of thirty five tested that were incorrectly designated on the report as FRPM.</p>		
<p>Implement a process to ensure that information reported in CalPADS is based on current year information rather than prior year information.</p>	<p>Not Implemented</p>	<p>See Current Year Finding</p>
<p>Finding 2015-002 School Accountability Report Card</p> <p>In our review of facilities data reported in Joan MacQueen Middle School SARC the information for cleanliness was not consistent with information on the FIT prepared by the District during a walk-thru of the campus.</p>		
<p>Establish procedures to ensure a current FIT is used when preparing the SARC for all school sites. In addition, establish monitoring procedures to verify information in the SARC is reported correctly.</p>	<p>Implemented</p>	

ALPINE UNION SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
2016	001	Finding:	The District did not have procedures and controls in place to ensure accurate financial reporting.					
		Questioned Costs:	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">CFDA #</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">N/A</td> <td style="text-align: center;">n/a</td> </tr> </tbody> </table>	CFDA #	Amount	N/A	n/a	
CFDA #	Amount							
N/A	n/a							
		Status:	In Progress					
		Corrective Action:	The District will implement procedures during close of the 2016-17 fiscal year.					
		Completion Date:	In Progress as of December 15, 2016					
2016	002	Finding:	Attendance reports were being back dated by teachers at Joan McQueen Middle School and Shadow Hills Elementary School.					
		Questioned Costs:	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">CFDA #</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">N/A</td> <td style="text-align: center;">n/a</td> </tr> </tbody> </table>	CFDA #	Amount	N/A	n/a	
CFDA #	Amount							
N/A	n/a							
		Status:	In Progress					
		Corrective Action:	The District provided training to attendance clerks and is working on getting approval for an electronic signature process.					
		Completion Date:	In Progress as of December 15, 2016					

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
2016	003	Finding:	The District overstated unduplicated pupil counts.	
		Questioned Costs:	CFDA # N/A	Amount n/a
		Status:	In Progress	
		Corrective Action:	The District has implemented review procedures over CalPADS reporting.	
		Completion Date:	In Progress as of December 15, 2016	
2016	004	Finding:	Two students did not have proper immunizations but were still allowed to attend school.	
		Questioned Costs:	CFDA # N/A	Amount n/a
		Status:	In Progress	
		Corrective Action:	The District is working with the school nurse to ensure all students have proper documentation on file prior to admission.	
		Completion Date:	In Progress as of December 15, 2016	