

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

**AUDIT REPORT**

**JUNE 30, 2015**

**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, 2015

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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, 2015, 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, 2015, 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 Principles*

As described in Note A to the financial statements, in 2015, Alpine Union School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. 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 U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, 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 14, 2015 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 14, 2015



ALPINE UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015  
(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, 2015. 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 2014-15 are as follows:

- Total net position is \$(13,852,132)
- Unrestricted net position is \$(13,421,233)
- Outstanding capital lease debt decreased from \$607,858 to \$520,814
- Outstanding general obligation bond debt increased from \$16,289,417 to \$16,351,242. This increase is in large due to accrual of accreted interest for capital appreciation bonds issued in 1997 and 1999.
- Outstanding certificates of participation decreased from \$4,174,940 to \$3,848,791.
- 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 2013-2014?" 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, and the Bond Interest and Redemption Fund, which accounts for debt service payments, are considered a major funds.

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

ALPINE UNION SCHOOL DISTRICT AS A COMPLETE FINANCIAL ENTITY

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

<b>Table I</b>				
Statement of Net Position				
As of June 30,				
	2014	2015*	Change	% Change
<b>Assets</b>				
Cash	\$ 2,179,707	\$ 2,584,450	\$ 404,743	18.57%
Receivables	1,349,461	665,008	(684,453)	-50.72%
Stores Inventory	9,169	10,256	1,087	11.86%
Prepaid Expenses	-	6,099	6,099	100.00%
Capital Assets:				
Land	2,137,026	2,137,026	-	0.00%
Improvements	7,621,382	7,296,382	(325,000)	-4.26%
Buildings	24,389,038	24,389,037	(1)	0.00%
Equipment	1,225,469	1,231,684	6,215	0.51%
Less Accumulated Depreciation	(16,034,194)	(16,727,024)	(692,830)	4.32%
<b>Total Assets</b>	<b>22,877,058</b>	<b>21,592,918</b>	<b>(1,284,140)</b>	<b>-5.61%</b>
<b>Deferred Outflows of Resources</b>				
	55,006	1,910,960	1,855,954	3374.09%
<b>Liabilities</b>				
Accounts Payable	1,303,731	485,384	(818,347)	-62.77%
Unearned Revenue	5,839	8,441	2,602	44.56%
Long-Term Liabilities:				
Due Within One Year	1,580,327	2,125,555	545,228	34.50%
Due in More Than One Year	21,182,787	31,747,685	10,564,898	49.87%
<b>Total Liabilities</b>	<b>24,072,684</b>	<b>34,367,065</b>	<b>10,294,381</b>	<b>42.76%</b>
<b>Deferred Inflows of Resources</b>				
	-	2,988,945	2,988,945	100.00%
<b>Net Position</b>				
Net Investment in Capital Assets	(1,733,495)	(2,393,743)	(660,248)	38%
Restricted For:				
Capital Projects	275,426	270,261	(5,165)	-2%
Debt Service	934,641	1,634,468	699,827	75%
Educational Programs	459,191	39,153	(420,038)	-91%
Other Purposes (Expendable)	-	107	107	100%
Other Purposes (Nonexpendable)	11,669	18,855	7,186	62%
Unrestricted	(1,088,052)	(13,421,233)	(12,333,181)	1134%
<b>Total Net Position</b>	<b>\$ (1,140,620)</b>	<b>\$(13,852,132)</b>	<b>\$(12,711,512)</b>	<b>1114.44%</b>

\*Implementation of GASB Statement No. 68 causes the 2013-14 and 2014-15 years to not be comparable as net pension liability is recorded for the first time in 2014-15.

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.

<b>Table II</b>				
Government-Wide Revenue				
For the Year Ended June 30,				
	2014	2015	Change	% Change
<b>Program Revenue</b>				
Charges for Services	\$ 320,963	\$ 235,689	\$ (85,274)	-26.57%
Operating Grants & Contributions	2,514,447	2,337,236	(177,211)	-7.05%
Total Program Revenue	2,835,410	2,572,925	(262,485)	-9.26%
<b>General Revenue</b>				
Taxes and Subventions	4,581,113	5,589,502	1,008,389	22.01%
Federal & State Aid, Not Restricted	7,984,744	8,382,294	397,550	4.98%
Interest and Investment Earnings	7,723	33,930	26,207	339.34%
Miscellaneous Revenue	777,348	626,354	(150,994)	-19.42%
Total General Revenue	13,350,928	14,632,080	1,281,152	9.60%
<b>Total Revenue</b>	<b>\$ 16,186,338</b>	<b>\$ 17,205,005</b>	<b>\$ 1,018,667</b>	<b>6.29%</b>

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.

<b>Table III</b>				
Government-Wide Expenses				
For the Year Ended June 30,				
	2014	2015	Change	% Change
<b>Governmental Expenditures</b>				
Instruction	\$ 10,423,101	\$ 10,238,646	\$ (184,455)	-1.77%
Instruction Related Services	1,165,489	1,128,610	(36,879)	-3.16%
Pupil Services	1,710,564	1,562,878	(147,686)	-8.63%
General Administration	1,245,397	1,334,456	89,059	7.15%
Plant Services	1,222,184	1,280,757	58,573	4.79%
Community Services	276,762	264,935	(11,827)	-4.27%
Interest on Long Term Debt	1,162,874	1,226,424	63,550	5.46%
Other Outgo	-	20,703	20,703	100.00%
Total Expenditures	\$ 17,206,371	\$ 17,057,409	\$ (148,962)	-0.87%

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 2014-15 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 2014-15 fiscal year, the district had \$35,054,129 invested in land, buildings, and capital equipment. Depreciation totaling \$16,727,024 was charged against the value of those assets for net capital assets of \$18,327,105.

## 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](mailto:jnerat@alpineschools.net).

## Basic Financial Statements

**ALPINE UNION SCHOOL DISTRICT**  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

	Governmental Activities
<b>ASSETS:</b>	
Cash	\$ 2,584,450
Receivables	665,008
Stores	10,256
Prepaid Expenses	6,099
Capital Assets:	
Land	2,137,026
Improvements	7,296,382
Buildings	24,389,037
Equipment	1,231,684
Less Accumulated Depreciation	(16,727,024)
Total Assets	<u>21,592,918</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,910,960</u>
<b>LIABILITIES:</b>	
Accounts Payable	485,384
Unearned Revenue	8,441
Long-Term Liabilities:	
Due Within One Year	2,125,555
Due in More Than One Year	31,747,685
Total Liabilities	<u>34,367,065</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,988,945</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	(2,393,743)
Restricted for:	
Capital Projects	270,261
Debt Service	1,634,468
Educational Programs	39,153
Other Purposes (Expendable)	107
Other Purposes (Nonexpendable)	18,855
Unrestricted	(13,421,233)
Total Net Position	<u>\$ (13,852,132)</u>

The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 10,238,646	\$ -	\$ 1,798,667	\$ (8,439,979)
Instruction-Related Services:				
Instructional Supervision and Administration	34,621	-	5,227	(29,394)
Instructional Library, Media and Technology	138,798	-	-	(138,798)
School Site Administration	955,191	-	27,826	(927,365)
Pupil Services:				
Home-to-School Transportation	582,785	-	71,045	(511,740)
Food Services	514,902	234,107	248,291	(32,504)
All Other Pupil Services	465,191	-	68,349	(396,842)
General Administration:				
Centralized Data Processing	19,697	-	-	(19,697)
All Other General Administration	1,314,759	-	116,154	(1,198,605)
Plant Services	1,280,757	1,582	1,677	(1,277,498)
Community Services	264,935	-	-	(264,935)
Interest on Long-Term Debt	1,226,424	-	-	(1,226,424)
Other Outgo	20,703	-	-	(20,703)
Total Expenses	<u>\$ 17,057,409</u>	<u>\$ 235,689</u>	<u>\$ 2,337,236</u>	<u>\$ (14,484,484)</u>

## General Revenues:

Taxes and Subventions:	
Taxes Levied for General Purposes	4,082,500
Taxes Levied for Debt Service	1,507,104
Taxes Levied for Other Specific Purposes	(102)
Federal and State Aid, Not Restricted	8,382,294
Interest and Investment Earnings	33,930
Miscellaneous	626,354
Total General Revenues	<u>14,632,080</u>
Change in Net Position	147,596
Net Position Beginning - As Restated (See Note S)	(13,999,728)
Net Position Ending	<u>\$ (13,852,132)</u>

The accompanying notes are an integral part of this statement.



**ALPINE UNION SCHOOL DISTRICT**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	General Fund	Cafeteria Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 783,073	\$ 1,243
Cash on Hand and in Banks	696	313
Cash in Revolving Fund	2,500	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	606,257	52,375
Due from Other Funds	30,619	-
Stores Inventories	-	10,256
Prepaid Expenditures	6,099	-
Total Assets	<u>1,429,244</u>	<u>64,187</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 373,560	\$ 5,204
Due to Other Funds	-	48,619
Unearned Revenue	8,442	-
Total Liabilities	<u>382,002</u>	<u>53,823</u>
Fund Balance:		
Nonspendable Fund Balances	8,599	10,256
Restricted Fund Balances	147,153	108
Assigned Fund Balances	90,505	-
Unassigned Fund Balances	800,985	-
Total Fund Balance	<u>1,047,242</u>	<u>10,364</u>
Total Liabilities and Fund Balances	<u>\$ 1,429,244</u>	<u>\$ 64,187</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,634,468	\$ 162,153	\$ 2,580,937
-	-	1,009
-	-	2,500
-	3	3
-	6,377	665,009
-	18,000	48,619
-	-	10,256
-	-	6,099
<u>1,634,468</u>	<u>186,533</u>	<u>3,314,432</u>
\$ -	\$ 24,272	\$ 403,036
-	-	48,619
-	-	8,442
<u>-</u>	<u>24,272</u>	<u>460,097</u>
-	-	18,855
-	-	147,261
1,634,468	162,261	1,887,234
-	-	800,985
<u>1,634,468</u>	<u>162,261</u>	<u>2,854,335</u>
<u>\$ 1,634,468</u>	<u>\$ 186,533</u>	<u>\$ 3,314,432</u>

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

JUNE 30, 2015

Total fund balances - governmental funds balance sheet	\$	2,854,335
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets relating to governmental activities, at historical cost:	35,054,129		
Accumulated depreciation:	(16,727,024)		
Net:			18,327,105

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:

(82,347)

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	16,351,242		
Compensated absences payable	312,928		
Net pension liability	11,347,947		
Net OPEB obligation	1,491,518		
Certificates of Participation	3,848,791		
Capital leases payable	520,814		
Total:			(33,873,240)

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	1,883,457		
Deferred inflows of resources relating to pensions	(2,988,945)		

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:

27,503

Net position of governmental activities - statement of net position	\$	<u>(13,852,132)</u>
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The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Cafeteria Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 5,716,146	\$ -
Education Protection Account Funds	2,304,464	-
Local Sources	3,767,375	-
Federal Revenue	720,399	228,021
Other State Revenue	898,560	19,341
Other Local Revenue	1,504,662	238,295
Total Revenues	<u>14,911,606</u>	<u>485,657</u>
Expenditures:		
Instruction	9,604,526	-
Instruction - Related Services	1,028,107	-
Pupil Services	1,060,989	481,211
Community Services	265,360	-
General Administration	1,154,250	-
Plant Services	1,297,497	3,251
Other Outgo	20,703	-
Debt Service:		
Principal	417,044	-
Interest	106,294	-
Total Expenditures	<u>14,954,770</u>	<u>484,462</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,164)</u>	<u>1,195</u>
Net Change in Fund Balance	(43,164)	1,195
Fund Balance, July 1	1,090,406	9,169
Fund Balance, June 30	<u>\$ 1,047,242</u>	<u>\$ 10,364</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,716,146
-	-	2,304,464
-	-	3,767,375
-	215,271	1,163,691
15,296	-	933,197
1,494,739	82,437	3,320,133
<u>1,510,035</u>	<u>297,708</u>	<u>17,205,006</u>
-	-	9,604,526
-	-	1,028,107
-	-	1,542,200
-	-	265,360
-	195,601	1,349,851
-	-	1,300,748
-	-	20,703
713,959	-	1,131,003
96,249	215,273	417,816
<u>810,208</u>	<u>410,874</u>	<u>16,660,314</u>
699,827	(113,166)	544,692
699,827	(113,166)	544,692
934,641	275,427	2,309,643
<u>\$ 1,634,468</u>	<u>\$ 162,261</u>	<u>\$ 2,854,335</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, 2015

Net change in fund balances - total governmental funds \$ 544,692

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:

	14,614		
Expenditures for capital outlay	14,614		
Depreciation expense	<u>(1,025,983)</u>		
Net:			(1,011,369)

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: 1,131,003

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: (802,766)

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: 405,427

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: (162,243)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: (5,844)

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: 48,696

Change in net position of governmental activities - statement of activities \$ 147,596

The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 26,385
Total Assets	<u>26,385</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 26,385
Total Liabilities	<u>26,385</u>
<b>NET POSITION:</b>	
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, 2015

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, 2015

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, 2015**

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.

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, 2015**

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

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

d. 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.

e. 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.

f. 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.

g. 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.

h. 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, 2015**

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.

i. 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, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

C. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Employee Benefits	\$ 351,437
Debt Service - Interest	18,871
Cafeteria Fund:	
Classified Salaries	6,347
Employee Benefits	873
Services and Other Operating Expenditures	1,057

General Fund: The district did not initially budget for payments made by the state of California on behalf of district employees for contributions to CalSTRS. In accordance with GASB Statement No. 24 these amounts have been included as both revenue and expenses.

The district underestimated debt service interest payments by 17.8%.

Cafeteria Fund: The district underestimated classified salaries by 2.7% which also resulted in an underestimation of employee benefits of 2.25%. In addition, the district underestimated services and operating expenditures by 9.6%.

D. 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 (2,580,937 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was 2,580,937. 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.

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

Cash balances on hand and in banks (27,394 as of June 30, 2015) 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, 2015 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		<u>\$ 3</u>	<u>\$ 3</u>

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

4. General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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. The San Diego County Investment Pool is rated AAAf/S1 by Standard & Poors.

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, 2014, 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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**E. Accounts Receivable**

Accounts receivable at June 30, 2015 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	\$ 397,543	43,533	\$ -	\$ 441,076
State Government:				
Lottery	151,046	-	-	151,046
Special Education	27,732	-	-	27,732
Other State Programs	3,558	3,509	-	7,067
Local Sources:				
Interest	1,477	21	214	1,712
Other Local Revenues	24,901	5,312	6,163	36,376
<b>Total</b>	<b>\$ 606,257</b>	<b>52,375</b>	<b>\$ 6,377</b>	<b>\$ 665,009</b>

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

**F. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 2,137,026	\$ -	\$ -	\$ 2,137,026
Total capital assets not being depreciated	2,137,026	-	-	2,137,026
Capital assets being depreciated:				
Buildings	24,389,037	-	-	24,389,037
Improvements	7,296,382	-	-	7,296,382
Equipment	1,225,468	14,615	8,399	1,231,684
Total capital assets being depreciated	32,910,887	14,615	8,399	32,917,103
Less accumulated depreciation for:				
Buildings	(9,787,827)	(635,075)	-	(10,422,902)
Improvements	(4,944,363)	(343,029)	-	(5,287,392)
Equipment	(977,250)	(47,879)	(8,399)	(1,016,730)
Total accumulated depreciation	(15,709,440)	(1,025,983)	(8,399)	(16,727,024)
Total capital assets being depreciated, net	17,201,447	(1,011,368)	-	16,190,079
Governmental activities capital assets, net	\$ 19,338,473	\$ (1,011,368)	\$ -	\$ 18,327,105

Depreciation was charged to functions as follows:

Instruction	\$ 848,120
Instruction-Related Services	122,815
Pupil Services	48,488
General Administration	3,306
Plant Services	3,254
<b>Total</b>	<b>\$ 1,025,983</b>

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G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	\$ 30,619	Reimburse expenses
Capital Facility Fund	Cafeteria Fund	18,000	Temporary loan
	Total	<u>\$ 48,619</u>	

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

H. Accounts Payable

Accounts payable at June 30, 2015 consisted of:

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Cafeteria Fund		
Vendor payables	\$ 289,800	\$ 5,204	\$ 24,272	\$ 319,276
Payroll and related benefits	4,638	-	-	4,638
Pension related liabilities	79,122	-	-	79,122
Totals	<u>\$ 373,560</u>	<u>\$ 5,204</u>	<u>\$ 24,272</u>	<u>\$ 403,036</u>

I. Unearned Revenue

Unearned revenue consisted of the following:

	General Fund
Federal Government: Categorical Programs	\$ 4,519
State Government: Categorical Programs	<u>3,923</u>
Total	<u>\$ 8,442</u>

J. 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.

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**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
<b>Nonspendable Fund Balances</b>					
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores Inventories	-	10,256	-	-	10,256
Prepaid Expenses	6,099	-	-	-	6,099
<b>Total Nonspendable</b>	<b>8,599</b>	<b>10,256</b>	<b>-</b>	<b>-</b>	<b>18,855</b>
<b>Restricted Fund Balances</b>					
Educational Programs	39,153	-	-	-	39,153
Capital Projects	108,000	-	-	-	108,000
Child Nutrition Program	-	108	-	-	108
<b>Total Restricted</b>	<b>147,153</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>147,261</b>
<b>Assigned Fund Balances</b>					
Capital Projects	-	-	-	162,261	162,261
Debt Service	-	-	1,634,468	-	1,634,468
Educational Programs	90,505	-	-	-	90,505
<b>Total Assigned</b>	<b>90,505</b>	<b>-</b>	<b>1,634,468</b>	<b>162,261</b>	<b>1,887,234</b>
<b>Unassigned Fund Balances</b>					
For Economic Uncertainty	352,343	-	-	-	352,343
Other Unassigned	448,642	-	-	-	448,642
<b>Total Fund Balance</b>	<b>\$ 1,047,242</b>	<b>\$ 10,364</b>	<b>\$ 1,634,468</b>	<b>\$ 162,261</b>	<b>\$ 2,854,335</b>

**L. 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, 2015 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 16,289,417	\$ 867,334	\$ 805,509	\$ 16,351,242	\$ 1,395,510
Capital leases	607,858	-	87,044	520,814	90,968
Net OPEB obligation	1,329,275	357,973	195,730	1,491,518	-
Certificates of participation	4,174,940	-	326,149	3,848,791	326,149
Net pension liability	14,148,665	-	2,800,718	11,347,947	-
Compensated absences *	361,624	-	48,696	312,928	312,928
<b>Total governmental activities</b>	<b>\$ 36,911,779</b>	<b>\$ 1,225,307</b>	<b>\$ 4,263,846</b>	<b>\$ 33,873,240</b>	<b>\$ 2,125,555</b>

\* 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

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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
2016	\$ 1,383,615	\$ 390,281	\$ 46,163	\$ 1,820,059
2017	643,112	971,956	19,712	1,634,780
2018	674,593	1,114,762	15,426	1,804,781
2019	649,218	1,265,689	10,948	1,925,855
2020	660,389	1,407,070	8,394	2,075,853
2021-2025	3,556,224	10,501,833	8,648	14,066,705
Totals	<u>\$ 7,567,151</u>	<u>\$ 15,651,591</u>	<u>\$ 109,291</u>	<u>\$ 23,328,033</u>

3. General Obligation Bonds

General obligation bonds at June 30, 2014 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	3,411,451	322,614	-	3,734,065
1997-A Bond Premium	25,953	-	2,883	23,070
1997-B Capital Appreciation	3,621,762	-	43,958	3,577,804
1997-B Accreted Interest	5,297,223	544,720	66,042	5,775,901
1997-B Bond Premium	75,987	-	6,908	69,079
2010 Current Interest Refunding	1,415,000	-	670,000	745,000
2010 Bond Premium	31,436	-	15,718	15,718
Total GO Bonds	<u>\$ 16,289,417</u>	<u>\$ 867,334</u>	<u>\$ 805,509</u>	<u>\$ 16,351,242</u>

The annual requirements to amortize the bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Accreted			
	Principal	Interest	Interest	Total
2016	\$ 979,719	\$ 390,281	\$ 22,350	\$ 1,392,350
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	602,930	1,407,070	-	2,010,000
2021-2025	3,433,167	10,501,833	-	13,935,000
Totals	<u>\$ 6,733,409</u>	<u>\$ 15,651,591</u>	<u>\$ 22,350</u>	<u>\$ 22,407,350</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, 2014.

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4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 90,968	\$ 23,813	\$ 114,781
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
2021-2025	123,057	8,648	131,705
Totals	<u>\$ 520,814</u>	<u>\$ 86,941</u>	<u>\$ 607,755</u>

5. Certificates of Participation

Certificates of participation at June 30, 2013 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2010 Series A Taxable COPs	06/16/2010	4.513-7.33%	04/15/2027	\$ 4,470,000
Total COPs				<u>\$ 4,470,000</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2010 Series A Taxable COPs	\$ 4,225,000	\$ -	\$ 330,000	\$ 3,895,000
2010 Series A COPs Discount	(50,060)	-	(3,851)	(46,209)
Total COPs	<u>\$ 4,174,940</u>	<u>\$ -</u>	<u>\$ 326,149</u>	<u>\$ 3,848,791</u>

Future commitments for certificates of participation as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 330,000	\$ 205,851	\$ 535,851
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
2021-2025	1,595,000	570,867	2,165,867
2026-2030	695,000	76,984	771,984
Totals	<u>\$ 3,895,000</u>	<u>\$ 1,597,098</u>	<u>\$ 5,492,098</u>

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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%

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%

M. 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, 2015 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2014	Additions	Current Year Amortization	Balance June 30, 2015
Refunding Loss	11/04/2010	5 Years	\$ 55,006	\$ -	\$ 27,503	\$ 27,503
Pension Related	06/30/2014	1 Year	1,289,803	-	1,289,803	-
Pension Related	06/30/2015	1 Year	-	1,883,457	-	1,883,457
Total Deferred Outflows of Resources			<u>\$ 1,344,809</u>	<u>\$ 1,883,457</u>	<u>\$ 1,317,306</u>	<u>\$ 1,910,960</u>

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N. Deferred Inflows of Resources

Consistent with the requirements of GASB Statement No. 68, the District has recorded The net difference between projected and actual earnings on pension plan investments (\$2,988,945 as of June 30, 2015) as deferred inflows of resources.

O. 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, 2015 is as follows:

	<u>SDCSRМ</u>	<u>FBC</u>	<u>Total</u>
Total Assets	\$ -	\$ 148,116	\$ 148,116
Total Liabilities	9,318	11,136	20,454
Total Fund Balance	<u>\$ (9,318)</u>	<u>\$ 136,980</u>	<u>\$ 127,662</u>
Total Cash Receipts	\$ 3	\$ 107,714	\$ 107,717
Total Cash Disbursements	9,706	78,172	87,878
Net Change in Fund Balance	<u>\$ (9,703)</u>	<u>\$ 29,542</u>	<u>\$ 19,839</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.

P. 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.



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b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date	<u>Jan. 1, 2013</u>	<u>Jan. 1, 2013</u>
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 (Average)	8.000%	8.000%
Required employer contribution rates	8.250%	8.250%

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

	CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date	<u>Jan. 1, 2013</u>	<u>Jan. 1, 2013</u>
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 (Average)	6.974.%	6.974.%
Required employer contribution rates	11.442%	11.442%

\*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, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

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d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8% 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 8.25% 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.

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, 2014 (measurement date) the State contributed 5.204002% 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 & Pension Expense

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Contributions - Employer	\$ 363,547	\$ 211,740
Contributions - Employee (paid by employer)	362,178	130,983
Contributions - State On Behalf Payments	221,355	-
Total Contributions	<u>\$ 947,080</u>	<u>342,723</u>

Pension expense was recognized as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Change in Net Pension Liability	\$ (2,080,017)	\$ (720,701)
Net difference between projected and actual earnings on plan investments	2,302,400	686,545
Total Contributions	947,080	342,723
Total Pension Expense	<u>\$ 1,169,463</u>	<u>\$ 308,567</u>

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
CalSTRS	\$ 9,349,917
CalPERS	1,998,029
Total Net Pension Liability	<u>\$ 11,347,946</u>

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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, 2014, 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, 2013 rolled forward to June 30, 2014 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. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2013	0.0160%	0.0176%
Proportion - June 30, 2014	0.0160%	0.0176%
Change - Increase (Decrease)	<u>-</u>	<u>-</u>

For the year ended June 30, 2015, the District recognized pension expense of \$1,478,030. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,883,457	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>(2,988,945)</u>
Total	<u>\$ 1,883,457</u>	<u>\$ (2,988,945)</u>

\$1,883,457 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, 2016. 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:

<u>Year Ended June 30</u>	
2016	\$ (747,237)
2017	(747,236)
2018	(747,236)
2019	(747,236)
Total	<u>\$ (2,988,945)</u>

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
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	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Depending on age, gender, and type of job

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. 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.

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.

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.

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

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

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

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%	6.50%
Net Pension Liability	\$ 16,401,894	\$ 3,504,998
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 9,349,920	\$ 1,998,029
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 3,457,285	\$ 671,640

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

d. Pension Plan Fiduciary Net Position

CalSTRS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 38,045,760	\$ 26,615,825	\$ 11,429,935
Changes for the year:			
Service cost	854,080	-	854,080
Interest	2,851,520	-	2,851,520
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	363,547	(363,547)
Contributions - Employee	-	362,178	(362,178)
Contributions - State On Behalf	-	221,355	(221,355)
Net investment income	-	4,864,304	(4,864,304)
Other income	-	329	(329)
Benefit payments, including refunds of employee contributions	(1,925,600)	(1,925,625)	25
Administrative expenses	-	(24,665)	24,665
Other expenses	-	(1,405)	1,405
Net Changes	<u>1,780,000</u>	<u>3,860,018</u>	<u>(2,080,018)</u>
Balance at June 30, 2015	<u>\$ 39,825,760</u>	<u>\$ 30,475,843</u>	<u>\$ 9,349,917</u>

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 11,446,360	\$ 8,727,630	\$ 2,718,730
Changes for the year:			
Service cost	277,381	-	277,381
Interest	848,165	-	848,165
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	211,740	(211,740)
Contributions - Employee	-	130,983	(130,983)
Net investment income	-	1,503,524	(1,503,524)
Benefit payments, including refunds of employee contributions	(552,373)	(552,373)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	<u>573,173</u>	<u>1,293,874</u>	<u>(720,701)</u>
Balance at June 30, 2015	<u>\$ 12,019,533</u>	<u>\$ 10,021,504</u>	<u>\$ 1,998,029</u>

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

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**Q. 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 2014-15, the District contributed \$195,730 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.

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	\$ 351,327
Interest on OPEB obligation	6,646
Annual OPEB cost	<u>357,973</u>
Contribution made	<u>(195,730)</u>
Increase in net OPEB obligation	162,243
Net OPEB obligation, beginning of year	1,329,275
Net OPEB obligation, end of year	<u>\$ 1,491,518</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2014 and 2015 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 356,102	48.00%	\$ 1,146,537
2014	364,187	50.00%	1,329,275
2015	357,973	54.68%	1,491,518

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.

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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

Medical cost trend rates ranged from an initial rate of 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.

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. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted to accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. In addition to the change in accounting policies, the district made corrections for capital assets that were discovered during the year. The combination of changes due to accounting policies and correction of errors resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ (1,140,620)
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(14,148,665)
Change in Accounting Policy - Deferred Outflows Pension Related	1,289,803
Correction of Errors - Capital Assets	<u>(246)</u>
Net Position, Beginning (As Restated)	<u>\$ (13,999,728)</u>



**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

T. Subsequent Events

**New Accounting Pronouncements**

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the 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). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 6,545,139	\$ 6,269,486	\$ 5,716,146	\$ (553,340)
Education Protection Account Funds	1,758,156	1,893,000	2,304,464	411,464
Local Sources	3,350,000	3,538,514	3,767,375	228,861
Federal Revenue	632,525	672,325	720,399	48,074
Other State Revenue	1,519,794	1,437,786	898,560	(539,226)
Other Local Revenue	631,891	615,654	1,504,662	889,008
Total Revenues	<u>14,437,505</u>	<u>14,426,765</u>	<u>14,911,606</u>	<u>484,841</u>
Expenditures:				
Current:				
Certificated Salaries	6,950,681	6,897,279	6,882,416	14,863
Classified Salaries	2,524,837	2,612,288	2,552,610	59,678
Employee Benefits	2,578,997	2,518,258	2,869,694	(351,436)
Books And Supplies	670,605	699,358	632,369	66,989
Services And Other Operating Expenditures	1,557,301	1,406,117	1,479,729	(73,612)
Capital Outlay	-	8,000	14,614	(6,614)
Debt Service:				
Principal	417,044	417,044	417,044	-
Interest	87,423	87,423	106,294	(18,871)
Total Expenditures	<u>14,786,888</u>	<u>14,645,767</u>	<u>14,954,770</u>	<u>(309,003)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(349,383)</u>	<u>(219,002)</u>	<u>(43,164)</u>	<u>175,838</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(349,383)</u>	<u>(219,002)</u>	<u>(43,164)</u>	<u>175,838</u>
Fund Balance, July 1	1,090,406	1,090,406	1,090,406	-
Fund Balance, June 30	<u>\$ 741,023</u>	<u>\$ 871,404</u>	<u>\$ 1,047,242</u>	<u>\$ 175,838</u>

**ALPINE UNION SCHOOL DISTRICT**

**EXHIBIT B-2**

CAFETERIA FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 230,000	\$ 230,000	\$ 228,021	\$ (1,979)
Other State Revenue	19,000	19,000	19,341	341
Other Local Revenue	286,000	286,000	238,295	(47,705)
Total Revenues	<u>535,000</u>	<u>535,000</u>	<u>485,657</u>	<u>(49,343)</u>
Expenditures:				
Current:				
Classified Salaries	227,000	227,000	233,347	(6,347)
Employee Benefits	37,902	37,902	38,775	(873)
Books And Supplies	260,000	260,000	201,283	58,717
Services And Other Operating Expenditures	10,000	10,000	11,057	(1,057)
Total Expenditures	<u>534,902</u>	<u>534,902</u>	<u>484,462</u>	<u>50,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>98</u>	<u>98</u>	<u>1,195</u>	<u>1,097</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>98</u>	<u>98</u>	<u>1,195</u>	<u>1,097</u>
Fund Balance, July 1	9,169	9,169	9,169	-
Fund Balance, June 30	<u>\$ 9,267</u>	<u>\$ 9,267</u>	<u>\$ 10,364</u>	<u>\$ 1,097</u>

**ALPINE UNION SCHOOL DISTRICT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN  
 YEAR ENDED JUNE 30, 2015

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0160%	N/A	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)	\$ 9,349,917	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 4,397,760	N/A	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	212.61%	N/A	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	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 725,725	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(725,725)	N/A	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	N/A
District's covered-employee payroll	\$ 4,397,760	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 is the first year of implementation and as such, information is not being presented for years prior to implementation.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth (Average)	3.75%
Post-retirement Benefit Increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The 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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0176%	N/A	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)	\$ 1,998,029	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 1,855,516	N/A	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	107.68%	N/A	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	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 is the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule:

- 1) Benefit changes: In 2015 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.



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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 342,723	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(342,723)	N/A	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	N/A
District's covered-employee payroll	\$ 1,855,516	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.47%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at 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, 2015

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ -	\$ 162,153	\$ 162,153
Cash with a Fiscal Agent/Trustee	3	-	3
Accounts Receivable	-	6,377	6,377
Due from Other Funds	-	18,000	18,000
Total Assets	<u>3</u>	<u>186,530</u>	<u>186,533</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ -	\$ 24,272	\$ 24,272
Total Liabilities	<u>-</u>	<u>24,272</u>	<u>24,272</u>
Fund Balance:			
Assigned Fund Balances	3	162,258	162,261
Total Fund Balance	<u>3</u>	<u>162,258</u>	<u>162,261</u>
Total Liabilities and Fund Balances	<u>\$ 3</u>	<u>\$ 186,530</u>	<u>\$ 186,533</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, 2015

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 215,271	\$ -	\$ 215,271
Other Local Revenue	2	82,435	82,437
Total Revenues	<u>215,273</u>	<u>82,435</u>	<u>297,708</u>
Expenditures:			
General Administration	-	195,601	195,601
Debt Service:			
Interest	215,273	-	215,273
Total Expenditures	<u>215,273</u>	<u>195,601</u>	<u>410,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(113,166)</u>	<u>(113,166)</u>
Net Change in Fund Balance	-	(113,166)	(113,166)
Fund Balance, July 1	3	275,424	275,427
Fund Balance, June 30	<u>\$ 3</u>	<u>\$ 162,258</u>	<u>\$ 162,261</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, 2015

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>
Eric Wray	President	Four year term Expires December 2014
Glenn Dickie	Vice President	Four year term Expires December 2014
Joseph Perricone	Clerk	Four year term Expires December 2016
Gina Henke	Member	Four year term Expires December 2014
Dr. Tim Caruthers	Member	Four year term Expires December 2016

## Administration

Tom Pellegrino  
Superintendent

Bruce Cochrane  
Director of Human  
Resources and  
Pupil Services

Rob Turner  
Business Manager

**ALPINE UNION SCHOOL DISTRICT**  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 YEAR ENDED JUNE 30, 2015

**TABLE C-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	719.28	N/A	727.75	N/A
Extended Year Special Education	2.36	N/A	2.36	N/A
TK/K-3 Totals	<u>721.64</u>	<u>N/A</u>	<u>730.11</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	540.53	N/A	541.86	N/A
Extended Year Special Education	0.67	N/A	0.67	N/A
Grades 4-6 Totals	<u>541.20</u>	<u>N/A</u>	<u>542.53</u>	<u>N/A</u>
Grades 7-8:				
Regular ADA	374.63	N/A	375.46	N/A
Extended Year Special Education	0.21	N/A	0.21	N/A
Nonpublic, Nonsectarian Schools	0.97	N/A	0.98	N/A
Extended Year - Nonpublic	0.17	N/A	0.17	N/A
Grades 7-8 Totals	<u>375.98</u>	<u>N/A</u>	<u>376.82</u>	<u>N/A</u>
ADA totals	<u><u>1,638.82</u></u>	<u><u>N/A</u></u>	<u><u>1,649.46</u></u>	<u><u>N/A</u></u>

N/A - There were no audit findings which resulted in revisions to ADA reported.

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, 2015

**TABLE C-2**

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	35,000	47,515	180	-	Complied
Kindergarten	36,000	35,000	47,515	180	-	Complied
Grade 1	50,400	49,000	51,150	180	-	Complied
Grade 2	50,400	49,000	51,150	180	-	Complied
Grade 3	50,400	49,000	51,150	180	-	Complied
Grade 4	54,000	52,500	53,550	180	-	Complied
Grade 5	54,000	52,500	53,550	180	-	Complied
Grade 6	54,000	52,500	58,054	180	-	Complied
Grade 7	54,000	52,500	58,089	180	-	Complied
Grade 8	54,000	52,500	58,089	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, 2015

**TABLE C-3**

General Fund	Budget 2016 (See Note 1)	2015	2014	2013
Revenues and other financial sources	\$ 16,002,881	\$ 14,911,606	\$ 14,732,695	\$ 14,580,312
Expenditures, other uses and transfers out	15,712,903	14,954,770	15,148,753	14,580,393
Change in fund balance (deficit)	289,978	(43,164)	(416,058)	(81)
Ending fund balance	\$ 1,337,220	\$ 1,047,242	\$ 1,090,406	\$ 1,506,464
Available reserves (See Note 2)	\$ 1,187,567	\$ 891,491	\$ 716,999	\$ 1,411,447
Available reserves as a percentage of total outgo (See Note 3)	7.6%	6.1%	4.8%	9.9%
Total long-term debt	\$ 31,747,686	\$ 33,921,937	\$ 22,679,798	\$ 22,866,263
Average daily attendance at P-2	1,615	1,638	1,704	1,784

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 decreased by \$459,222 (30.48%) over the past two years. The fiscal year 2015-16 budget projects an increase of \$289,978 (27.68%). 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 \$11,055,674 over the past two years (See Note 4).

Average daily attendance has decreased by 146 over the past three years.

**Notes:**

- 1 Budget 2016 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 \$390,398, \$363,403, and \$355,797, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
- 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 year ended June 30, 2015 is 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, 2015

**TABLE C-4**

The amounts reported by the District in their Annual Financial and Budget Report is in agreement with amounts reported in the Audited Financial Statements for all funds.

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.

The following charter schools are chartered by Alpine Union School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
Endeavour Academy	No

**ALPINE UNION SCHOOL DISTRICT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

**TABLE C-6**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE TREASURY</u>			
Direct Program:			
ARRA- Build America Bonds	21.000	-	\$ 215,272
Total U. S. Department of the Treasury			<u>215,272</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041		73,139
Passed Through Grossmont Union High School District:			
Workability	84.158	10006	18,205
Passed Through State Department of Education:			
Title I	84.010	14329	153,095
Special Education IDEA Basic	84.027	13379	349,293
Special Education IDEA Preschool Local entitlement	84.027A	13682	23,918
Special Education IDEA Preschool	84.173	13430	13,087
Special Education Preschool Staff Development	84.173A	13431	88
Total Special Education Cluster			<u>386,386</u>
Indian Education	84.060	10011	13,283
Title III - LEP	84.365	14346	722
Title II - Teacher Quality	84.367	14341	75,569
Total Passed Through State Department of Education			<u>629,055</u>
Total U. S. Department of Education			<u>720,399</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program Needy	10.553	13526	51,407
National School Lunch Section 4	10.555	13391	32,401
National School Lunch Section 11	10.555	13396	144,213
Commodities *	10.555	13396	30,553
Total Child Nutrition Cluster			<u>258,574</u>
Total Passed Through State Department of Education			<u>258,574</u>
Total U. S. Department of Agriculture			<u>258,574</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,194,245</u>

\* Indicates noncash expenditure.

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, 2015**

#### 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

## 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, 2015, 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 14, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Alpine Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alpine Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alpine Union School District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Alpine Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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) 2015-001 and 2015-002.



## **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 14, 2015

Independent Auditor's Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

## 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Wilkinson Hadley King & Co. LLP*

El Cajon, California  
December 14, 2015

**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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel 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, 2015.

**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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
--------------------------------	---

**LOCAL EDUCATION AGENCIES  
OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	N/A
Instructional Time	Yes

Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:**

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
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	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, 2015.

**Other Matters**

The results of our auditing procedures disclosed 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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002. We did not modify our opinion with respect to these matters.

## **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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 14, 2015

## Findings and Recommendations Section

**ALPINE UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   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 section 510(a) of Circular A-133?        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: \$300,000

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 Standards and Procedures for Audits of California K-12 Local Education Agencies?   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, 2015**

**B. Financial Statement Findings**

None

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

None

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

Finding 2015-001 (40000)  
 Unduplicated Pupil Counts

Criteria or Specific Requirement

Verify that students reported as eligible under only free or reduced priced meal (FRPM) 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 FRPM eligibility application under 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 county office of education that matches enrolled students against those children/households receiving CalFresh (or CalWORKs) benefits.

Condition

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.

Questioned Costs

\$17,194 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:

	<u>Funded Under LCFF</u>	<u>Audit Adjustments</u>	<u>Adjusted Counts</u>
Total Enrollment	1,169	0	1,169
Free & Reduced Meal Program (FRPM)	333	(76)	257
English Learners (ELAS)	23	0	23
Both FRPM & ELAS	43	0	13
Other Funded (Direct Certifications, etc.)	155	0	155
Total	<u>554</u>	<u>(74)</u>	<u>448</u>

**ALPINE UNION SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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.

Recommendation

Implement a process to ensure that information reported in CalPADS is based on current year information rather than prior year information.

LEA's Response

The district now has an understanding of the determining factors for reporting students in CALPADS who are eligible for free and reduced meals as of Census Day. Staff have been apprised of eligibility requirements and are reporting students accordingly.

Finding 2015-002 (72000)  
School Accountability Report Card (SARC)

Criteria or Specific Requirement

Verify that the information contained in the SARC is consistent with the Facilities Inspection Tool (FIT) as required by Education Code Section 33126(b)(8).

Condition

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.

Questioned Costs

None

**ALPINE UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Context

Education Code Section 33126(b) details the required elements of the SARC. Paragraph 8 specifies that information be included for safety, cleanliness, and adequacy of school facilities. The Office of Public School Construction developed the FIT to assist schools in preparing an adequate evaluation to include in the SARC and to plan needed maintenance.

Cause

The individual preparing the SARC was not using the FIT when detailing the safety, cleanliness, and adequacy of school facilities.

Effect

Information presented in the SARC was not consistent with information on the FIT for cleanliness of the school.

Recommendation

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.

LEA's Response

District staff has implemented a new procedure for completion of the FIT which ensures the report will be consistent with the SARC. Prior to publishing, information for the SARC is verified by district administration.

**ALPINE UNION SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2014-001 Attendance</p> <p>In our review of teacher verification of attendance reports at Alpine Elementary School, we noted that attendance is not being verified within one week of attendance being taken.</p> <p>We recommended the district provide training to school sites to ensure compliance with district attendance procedures. We also recommended the district implement a monitoring system over attendance reporting.</p>	<p>Implemented</p>	