

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

AUDIT REPORT

JUNE 30, 2014

**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, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	9	Exhibit A-1
Statement of Activities.....	10	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	11	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	12	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	13	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	14	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	15	Exhibit A-7
Notes to the Financial Statements	16	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	37	Exhibit B-1
Schedule of Funding Progress - Other Post Employment Benefits.....	38	
Notes to Required Supplementary Information.....	39	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	40	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	41	Exhibit C-2
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	42	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Capital Projects Funds.....	43	Exhibit C-4

Alpine Union School District
 Audit Report
 For The Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	44	
Schedule of Average Daily Attendance.....	45	Table D-1
Schedule of Instructional Time.....	46	Table D-2
Schedule of Financial Trends and Analysis.....	47	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	48	Table D-4
Schedule of Charter Schools.....	49	Table D-5
Schedule of Expenditures of Federal Awards	50	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	51	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	54	
Independent Auditor's Report on State Compliance.....	56	
Schedule of Findings and Questioned Costs	58	
Summary Schedule of Prior Audit Findings.....	60	

Financial Section

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 Alpine Union School District ("the District") as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2014, Alpine Union School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and schedule of funding progress for OPEB benefits 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 2013-14*, 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 November 7, 2014 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
November 12, 2014

ALPINE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(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, 2014. 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 2013-2014 are as follows:

- Total net position is *-\$1,140,620*
- Unrestricted net position (assets not invested in buildings, land, or equipment, and not restricted for debt payment or reserved for projects and educational programs) are *-\$1,088,052*
- Outstanding Capital Lease-Purchase Debt decreased from \$691,148 to \$607,858 during the 2013/14 fiscal year
- Outstanding General Obligation Bonds Debt increased from \$16,185,384 to \$16,289,417 during the 2013/14 fiscal year
- Outstanding Certificates of Participation decreased from \$4,480,368 to \$4,174,940 during the 2013/14 fiscal year

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.

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 DISTRICTS MOST SIGNIFICANT INDIVIDUAL FUNDS

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 Bond Interest and Redemption Fund, which accounts for debt service payments, is considered a major fund.

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

ALPINE UNION SCHOOL DISTRICT AS A COMPLETE FINANCIAL ENTITY

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

Table 1
Statement of Net position
June 30

Assets	2012-13	2013-14	Change	% Change
Cash	\$1,772,745	\$2,179,707	\$ 406,962	22.96%
Receivables	2,395,037	1,349,461	(1,045,576)	-43.66%
Stores	5,636	9,169	3,533	62.69%
Prepaid Debt Issue Costs	267,590	0*	(267,590)	-100.00%
Capital assets:				
Land	2,137,026	2,137,026	-	0.00%
Sites and improvements	7,621,382	7,621,382	-	0.00%
Buildings and improvements	24,387,008	24,389,038	2,030	0.01%
Equipment	1,248,869	1,225,469	(23,400)	-1.87%
Less accumulated depreciation	<u>(15,012,584)</u>	<u>(16,034,194)</u>	<u>(1,021,610)</u>	<u>-6.81%</u>
Total assets	<u>\$24,822,709</u>	<u>\$22,877,058</u>	<u>\$ (1,945,651)</u>	<u>-7.84%</u>
Deferred Outflows of Resources	-	\$ 55,006*	\$ 55,006	
Liabilities				
Accounts payable	\$ 1,886,462	\$ 1,303,731	\$ (582,731)	-30.89%
Unearned revenue	5,236	5,839	603	11.52%
Long-term liabilities:				
Due within one year	1,451,115	1,580,327	129,212	8.90%
Due in more than one year	<u>21,415,148</u>	<u>21,182,787</u>	<u>(232,361)</u>	<u>- 1.09%</u>
Total liabilities	<u>\$24,757,961</u>	<u>\$24,072,684</u>	<u>\$ (685,277)</u>	<u>-2.77%</u>
Net position				
Invested in capital assets, net	(975,200)	(1,733,495)	(758,295)	-77.76%
Restricted for:				
Capitol Projects	22,127	275,426	253,299	1144.75%
Debt Service	857,913	934,641	76,728	8.94%
Education Programs	92,516	459,191	366,675	396.34%
Other Purposes (Expendable)	68	0	(68)	-100.00%
Other Purposes (Nonexpendable)	8,136	11,669	3,533	43.42%
Unrestricted	<u>59,188</u>	<u>(1,088,052)</u>	<u>(1,147,240)</u>	<u>-1938.30%</u>
Total net position	<u>\$ 64,748</u>	<u>(\$1,140,620)</u>	<u>(1,205,368)</u>	<u>-1861.63%</u>

* GASB Statement 65 effective with 2013-14 fiscal year

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

Table 2
Revenue – Governmental Activities

	<u>2012-2013</u>	<u>2013-2014</u>	<u>Change</u>	<u>% Change</u>
Revenue				
General Revenue	\$ 12,995,408	\$13,350,928	\$355,520	2.74%
Program Revenue for Services	<u>2,810,820</u>	<u>2,835,410</u>	<u>24,590</u>	<u>0.87%</u>
Total Revenue	\$ 15,806,228	\$ 16,186,338	\$380,110	2.40%

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

Table 3
Expenditures – Governmental Activities

	<u>2012-2013</u>	<u>2013-2014</u>	<u>Change</u>	<u>% Change</u>
Expenditures				
Classroom Instruction	\$10,615,513	\$10,423,101	\$ (192,412)	-1.81%
Instructional Related Services	1,093,290	1,165,489	72,199	6.60%
Pupil Services	1,813,121	1,710,564	(102,557)	-5.66%
General Administration	1,073,050	1,245,397	172,347	16.06%
Plant Services	1,162,777	1,222,184	59,407	5.11%
Community Services	177,955	276,762	98,807	55.52%
Debt Issue Costs	81,591	0	(81,591)	-100.00%
Other Services and Activities	<u>1,107,378</u>	<u>1,162,874</u>	<u>55,496</u>	<u>5.01%</u>
Total Expenditures	\$17,124,675	\$17,206,371	\$ 81,696	0.48%

This chart does not include interest payments on long-term general obligation bond debt to be paid from property tax collections in future years.

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 2013-2014 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 2013-2014 fiscal year, the district had \$35,372,915 invested in land, buildings, and capital equipment. Depreciation totaling \$16,034,194 was charged against the value of those assets for net capital assets of \$19,338,721.

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. The state of California's economy has left the future funding for education in question.

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 Rob Turner, Business Manager at Alpine Union School District, 1323 Administration Way, Alpine, CA 91901 or e-mail to robturner@alpineschools.net.

Basic Financial Statements

ALPINE UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities
ASSETS:	
Cash	\$ 2,179,707
Receivables	1,349,461
Stores	9,169
Capital Assets:	
Land	2,137,026
Improvements	7,621,382
Buildings	24,389,038
Equipment	1,225,469
Less Accumulated Depreciation	(16,034,194)
Total Assets	<u>22,877,058</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>55,006</u>
LIABILITIES:	
Accounts Payable	1,303,731
Unearned Revenue	5,839
Long-Term Liabilities:	
Due Within One Year	1,514,285
Accreted Interest Due Within One Year	66,042
Due in More Than One Year	12,540,155
Accreted Interest Due in More Than One Year	8,642,632
Total Liabilities	<u>24,072,684</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION:	
Net Investment in Capital Assets	(1,733,495)
Restricted for:	
Capital Projects	275,426
Debt Service	934,641
Educational Programs	459,191
Other Purposes (Nonexpendable)	11,669
Unrestricted	(1,088,052)
Total Net Position	<u>\$ (1,140,620)</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	\$ 10,423,101	\$ -	\$ 1,962,546	\$ (8,460,555)
Instruction-Related Services:				
Instructional Supervision and Administration	92,668	-	6,227	(86,441)
Instructional Library, Media and Technology	136,986	-	-	(136,986)
School Site Administration	935,835	-	1,669	(934,166)
Pupil Services:				
Home-to-School Transportation	689,263	43,132	18,068	(628,063)
Food Services	542,697	274,417	248,940	(19,340)
All Other Pupil Services	478,604	-	48,193	(430,411)
General Administration:				
Centralized Data Processing	29,702	-	-	(29,702)
All Other General Administration	1,215,695	2,635	120,097	(1,092,963)
Plant Services	1,222,184	779	108,707	(1,112,698)
Community Services	276,762	-	-	(276,762)
Interest on Long-Term Debt	1,162,874	-	-	(1,162,874)
Total Expenses	<u>\$ 17,206,371</u>	<u>\$ 320,963</u>	<u>\$ 2,514,447</u>	<u>\$ (14,370,961)</u>
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				3,767,184
Taxes Levied for Debt Service				813,974
Taxes Levied for Other Specific Purposes				(45)
Federal and State Aid, Not Restricted				7,984,744
Interest and Investment Earnings				7,723
Miscellaneous				777,348
Total General Revenues				<u>13,350,928</u>
Change in Net Position				(1,020,033)
Net Position Beginning - As Restated (See Note R)				(120,587)
Net Position Ending				<u>\$ (1,140,620)</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2014

	General Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 968,086	\$ 934,641	\$ 272,895	\$ 2,175,622
Cash on Hand and in Banks	1,213	-	370	1,583
Cash in Revolving Fund	2,500	-	-	2,500
Cash with a Fiscal Agent/Trustee	-	-	3	3
Accounts Receivable	1,331,932	-	17,529	1,349,461
Due from Other Funds	6,167	-	19,500	25,667
Stores Inventories	-	-	9,169	9,169
Total Assets	\$ 2,309,898	\$ 934,641	\$ 319,466	\$ 3,564,005
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 250,838	\$ -	\$ 9,203	\$ 260,041
Due to Grantor Governments	962,815	-	-	962,815
Due to Other Funds	-	-	25,667	25,667
Unearned Revenue	5,840	-	-	5,840
Total Liabilities	1,219,493	-	34,870	1,254,363
Fund Balance:				
Nonspendable Fund Balances	2,500	-	9,169	11,669
Restricted Fund Balances	370,906	-	-	370,906
Assigned Fund Balances	88,285	934,641	275,427	1,298,353
Unassigned	628,714	-	-	628,714
Total Fund Balance	1,090,405	934,641	284,596	2,309,642
Total Liabilities and Fund Balances	\$ 2,309,898	\$ 934,641	\$ 319,466	\$ 3,564,005

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total fund balances - governmental funds balance sheet	\$	2,309,642
--	----	-----------

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:	35,372,915		
Accumulated depreciation:	<u>(16,034,194)</u>		
Net:			19,338,721

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(80,875)

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	16,289,417		
Compensated absences payable	361,624		
Net OPEB obligation	1,329,275		
Certificates of Participation	4,174,940		
Capital leases payable	<u>607,858</u>		
Total:			(22,763,114)

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:

55,006

Net position of governmental activities - statement of net position	\$	<u>(1,140,620)</u>
---	----	--------------------

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 6,071,333	\$ -	\$ -	\$ 6,071,333
Education Protection Account Funds	1,909,076	-	-	1,909,076
Local Sources	3,268,881	-	-	3,268,881
Federal Revenue	643,106	-	471,821	1,114,927
Other State Revenue	1,207,301	8,850	17,585	1,233,736
Other Local Revenue	1,632,998	806,868	539,038	2,978,904
Total Revenues	<u>14,732,695</u>	<u>815,718</u>	<u>1,028,444</u>	<u>16,576,857</u>
Expenditures:				
Instruction	9,842,311	-	-	9,842,311
Instruction - Related Services	1,035,168	-	-	1,035,168
Pupil Services	1,136,968	-	547,019	1,683,987
Community Services	272,431	-	-	272,431
General Administration	1,167,283	-	4,900	1,172,183
Plant Services	1,200,170	-	3,506	1,203,676
Debt Service:				
Principal	393,290	637,524	-	1,030,814
Interest	101,132	101,466	216,255	418,853
Total Expenditures	<u>15,148,753</u>	<u>738,990</u>	<u>771,680</u>	<u>16,659,423</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(416,058)</u>	<u>76,728</u>	<u>256,764</u>	<u>(82,566)</u>
Net Change in Fund Balance	(416,058)	76,728	256,764	(82,566)
Fund Balance, July 1	1,506,463	857,913	27,832	2,392,208
Fund Balance, June 30	<u>\$ 1,090,405</u>	<u>\$ 934,641</u>	<u>\$ 284,596</u>	<u>\$ 2,309,642</u>

The accompanying notes are an integral part of this statement.

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, 2014

Net change in fund balances - total governmental funds \$ (82,566)

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

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

Expenditures for capital outlay	2,030	
Depreciation expense	<u>(1,044,754)</u>	
Net:		(1,042,724)

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: 1,030,814

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: (737,455)

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: (182,738)

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: (6,565)

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: 1,201

Change in net position of governmental activities - statement of activities \$ (1,020,033)

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2014

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 78,450
Total Assets	<u>78,450</u>
LIABILITIES:	
Due to Student Groups	\$ 78,450
Total Liabilities	<u>78,450</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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, 2014

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.

Bond Interest and Redemption Fund. This fund is used to accumulate resources from the collection of levied taxes to pay the principal and interest of the district's outstanding bond obligations.

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds. These funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and other costs.

Capital Projects Funds. These funds are used to account for the proceeds from bond issuances and for the acquisition of capital assets of the district.

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, 2014

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 Board of Trustees 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 Board of Trustees satisfied these requirements.

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

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

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

b. Expenses/Expenditures

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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. Inventories of the General Fund are immaterial and have been omitted from these statements.

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, 2014

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 combined 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, 2014

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. 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.

9. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

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

3. Deficit Net Position of Government Wide Financial Statements

As of June 30, 2014 the District had a deficit in net position of \$1,140,620 for government-wide financial statements. The deficit is a result of increasing accruals for accreted interest on capital appreciation bonds as well as increasing accruals for other post employment benefits. While the capital appreciation accrues annually, the property taxes that will be assessed to repay the interest will occur in the year the interest becomes due. As a result of the expectation that assessed property taxes will increase when the payment comes due, the District does not expect for the accreted interest to negatively affect the District's ability to meet its obligations.

C. Excess of Expenditures Over Appropriations

As of June 30, 2014 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Debt service interest	\$ 3,472

General fund: The District underestimated debt service interest.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 (\$2,175,622 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,178,422. 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 (\$80,033 as of June 30, 2014) 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, 2014 are shown below.

Investment or Investment Type	Average Days to Maturity	Book Value	Fair Value
Money Market Funds	<30 Days	\$ 3	\$ 3
Cash in County Treasury	366 Days	2,175,622	2,178,422
Total Investments		\$ 2,175,625	\$ 2,178,425

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 AAf/S1 by Standard & Pools.

b. Custodial Credit Risk - Deposits

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

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

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 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.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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.

E. Accounts Receivable

Accounts receivable at June 30, 2014 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:			
Federal Programs	\$ 136,938	\$ 13,201	\$ 150,139
State Government:			
LCFF State Aid	865,087	-	865,087
Lottery	83,536	-	83,536
Other State Programs	224,878	4,177	229,055
Local Sources:			
Interest	1,609	151	1,760
Other Local Revenues	19,884	-	19,884
Total	<u>\$ 1,331,932</u>	<u>\$ 17,529</u>	<u>\$ 1,349,461</u>

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

F. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,137,026	\$ -	\$ -	\$ 2,137,026
Total capital assets not being depreciated	<u>2,137,026</u>	<u>-</u>	<u>-</u>	<u>2,137,026</u>
Capital assets being depreciated:				
Buildings	24,387,008	2,030	-	24,389,038
Improvements	7,621,382	-	-	7,621,382
Equipment	1,248,869	-	23,400	1,225,469
Total capital assets being depreciated	<u>33,257,259</u>	<u>2,030</u>	<u>23,400</u>	<u>33,235,889</u>
Less accumulated depreciation for:				
Buildings	(9,136,153)	(651,495)	-	(9,787,648)
Improvements	(4,926,333)	(343,029)	-	(5,269,362)
Equipment	(950,354)	(50,230)	(23,400)	(977,184)
Total accumulated depreciation	<u>(15,012,840)</u>	<u>(1,044,754)</u>	<u>(23,400)</u>	<u>(16,034,194)</u>
Total capital assets being depreciated, net	<u>18,244,419</u>	<u>(1,042,724)</u>	<u>-</u>	<u>17,201,695</u>
Governmental activities capital assets, net	<u>\$ 20,381,445</u>	<u>\$ (1,042,724)</u>	<u>\$ -</u>	<u>\$ 19,338,721</u>

Depreciation was charged to functions as follows:

Instruction	\$ 863,130
Instruction-Related Services	123,625
Pupil Services	51,551
General Administration	3,306
Plant Services	3,142
	<u>\$ 1,044,754</u>

G. 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. A summary of the deferred outflow of resources as of June 30, 2014 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2013	Additions	Current Year Amortization	Balance June 30, 2014
Refunding Loss	11/04/2010	5 Years	\$ 82,509	\$ -	\$ 27,503	\$ 55,006

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Amortization
2015	\$ 27,503
2016	27,503
Total	<u>\$ 55,006</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

H. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2014 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Fund	\$ 6,167	Reimburse Expenses
Capital Facilities Fund	Cafeteria Fund	19,500	Temporary Cash Loan
	Total	<u>\$ 25,667</u>	

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

I. Short-Term Debt Activity

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

J. Accounts Payable

Accounts payable at June 30, 2014 consisted of:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Vendor payables	\$ 149,215	\$ 5,853	\$ 155,068
Payroll and related benefits	100,117	3,350	103,467
Due to grantor government	962,815	-	962,815
Other current liabilities	1,506	-	1,506
Totals	<u>\$ 1,213,653</u>	<u>\$ 9,203</u>	<u>\$ 1,222,856</u>

Amounts due to grantor government represent amounts remaining on a temporary transfer agreement between the District and the County of San Diego. Repayments of the temporary transfer will be made from apportionment and property tax earned by the District. Interest is repaid at an amount equal to amounts earned in the county treasury.

K. Unearned Revenue

Unearned revenue consisted of the following:

	<u>General Fund</u>
Federal Government:	
Categorical Programs	\$ 1,917
State Government:	
Categorical Programs	<u>3,923</u>
Total	<u>\$ 5,840</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

L. Components of Ending Fund Balance

As of June 30, 2014 ending fund balance consisted of the following:

	Major Funds			Total Governmental Funds
	General Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	
Nonspendable Fund Balances				
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ 2,500
Stores Inventories	-	-	9,169	9,169
Restricted Fund Balances				
Educational Programs	370,906	-	-	370,906
Assigned Fund Balances				
Capital Projects	-	-	275,427	275,427
Debt Service	-	934,641	-	934,641
Educational Programs	88,285	-	-	88,285
Unassigned Fund Balances				
For Economic Uncertainty	628,714	-	-	628,714
Total Fund Balance	\$ 1,090,405	\$ 934,641	\$ 284,596	\$ 2,309,642

M. 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, 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 16,185,384	\$ 824,543	\$ 720,510	\$ 16,289,417	\$ 805,510
Capital leases	691,149	-	83,291	607,858	87,044
Net OPEB obligation	1,146,537	364,187	181,449	1,329,275	-
Certificates of participation	4,480,368	-	305,428	4,174,940	326,149
Compensated absences *	362,825	-	1,201	361,624	361,624
Total governmental activities	\$ 22,866,263	\$ 1,188,730	\$ 1,291,879	\$ 22,763,114	\$ 1,580,327

* 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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, net OPEB obligation, bond premium and COPs discount, at June 30, 2014 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2015	\$ 1,162,626	\$ 66,042	\$ 59,802	\$ 1,288,470
2016	1,070,687	390,281	46,163	1,507,131
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
2020-2024	3,600,483	9,655,034	17,042	13,272,559
2025-2029	616,131	2,253,868	-	2,869,999
Totals	<u>\$ 8,416,850</u>	<u>\$ 15,717,632</u>	<u>\$ 169,093</u>	<u>\$ 24,303,575</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	3,105,776	305,675	-	3,411,451
1997-A Bond Premium	28,837	-	2,884	25,953
1997-B Capital Appreciation	3,664,286	-	42,524	3,621,762
1997-B Accreted Interest	4,835,831	518,868	57,476	5,297,223
1997-B Bond Premium	82,895	-	6,908	75,987
2010 Current Interest Refunding	2,010,000	-	595,000	1,415,000
2010 Bond Premium	47,154	-	15,718	31,436
Total GO Bonds	<u>\$ 16,185,384</u>	<u>\$ 824,543</u>	<u>\$ 720,510</u>	<u>\$ 16,289,417</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 713,958	\$ 66,042	\$ 32,065	\$ 812,065
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
2020-2024	3,419,966	9,655,034	-	13,075,000
2025-2029	616,132	2,253,868	-	2,870,000
Totals	<u>\$ 7,447,368</u>	<u>\$ 15,717,632</u>	<u>\$ 54,415</u>	<u>\$ 23,219,415</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.

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 87,044	\$ 27,737	\$ 114,781
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
2020-2024	180,516	17,042	197,558
Totals	<u>\$ 607,858</u>	<u>\$ 114,678</u>	<u>\$ 722,536</u>

5. Certificates of Participation

Certificates of participation at June 30, 2014 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
2010 Series B Taxable COPs	07/08/2010	4.50%	04/15/2014	250,000
Total COPs				<u>\$ 4,720,000</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2010 Series A Taxable COPs	\$ 4,285,000	\$ -	\$ 60,000	\$ 4,225,000
2010 Series A COPs Discount	(53,911)	-	(3,851)	(50,060)
2010 Series B Taxable COPs	250,000	-	250,000	-
2010 Series B COPs Discount	(721)	-	(721)	-
Total COPs	<u>\$ 4,480,368</u>	<u>\$ -</u>	<u>\$ 305,428</u>	<u>\$ 4,174,940</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Future commitments for certificates of participation as of June 30, 2014 are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 330,000	\$ 207,574	\$ 537,574
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
2020-2024	1,590,000	664,149	2,254,149
2025-2029	1,020,000	150,220	1,170,220
Totals	<u>\$ 4,225,000</u>	<u>\$ 1,804,672</u>	<u>\$ 6,029,672</u>

6. Bond Premium

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

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

	<u>1997 Series A Bonds</u>	<u>1997 Series B Bonds</u>	<u>2010 Ref. Bonds</u>
Total Interest Payments on Bond	\$ 5,524,395	\$ 10,263,211	\$ 218,232
Less Bond Premium	(72,093)	(172,697)	(78,590)
Net Interest Payments	<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%

7. COPs Discount

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

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

	<u>2010 Series A COPs</u>	<u>2010 Series B COPs</u>
Total Interest Payments on COPs	\$ 3,229,510	\$ 42,656
Plus COPs Discount	65,463	2,163
Net Interest Payments	<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%

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

N. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information of the District's share of the JPAs for the year ended June 30, 2014 is as follows:

	<u>SDCSRM</u>	<u>FBC</u>	<u>Total</u>
Total Assets	\$ 3,515	\$ 125,875	\$ 129,390
Total Liabilities	3,130	18,436	21,566
Total Fund Balance	<u>\$ 385</u>	<u>\$ 107,439</u>	<u>\$ 107,824</u>
Total Cash Receipts	\$ 20	\$ 87,185	\$ 87,205
Total Cash Disbursements	76	87,834	87,910
Net Change in Fund Balance	<u>\$ (56)</u>	<u>\$ (649)</u>	<u>\$ (705)</u>

O. Employee Retirement Systems

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 State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$212,137, \$215,326 and \$210,909, respectively, and equal 100% of the required contributions for each year.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$576,109, \$567,156 and \$596,070, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$363,403 (5.201002% of salaries subject to STRS). 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 or the Charter School Fund Budgetary Comparison Schedule.

P. 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 142 eligible active employees and 23 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 2013-14, the District contributed \$181,449 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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	\$ 364,187
Contribution made	<u>(181,449)</u>
Increase in net OPEB obligation	182,738
Net OPEB obligation, beginning of year	1,146,537
Net OPEB obligation, end of year	<u>\$ 1,329,275</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012, 2013 and 2014 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 348,402	43%	\$ 962,245
2013	356,102	48%	1,146,537
2014	364,187	50%	1,329,275

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2011 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, 2011 of 27 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Q. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

R. Adjustment to Beginning Balance

The District implemented GASB Statement No. 65 during the current fiscal year which resulted in an accounting change in the treatment of the majority of debt issue costs. Under previous standards, debt issue costs were recorded as prepaid expenses and amortized over the life of the debt. Under newly implemented standards prepaid insurance is recorded as a deferred outflow of resources and all remaining debt issue costs are expensed in the period the debt is issued. The resulting accounting change required a restatement of beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 64,748
Change in accounting policy	<u>(185,335)</u>
Net Assets, Beginning (As Restated)	<u>\$ (120,587)</u>

S. Subsequent Events

New Accounting Pronouncement

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for the purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for the 2014-15 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment	\$ 5,347,936	\$ 6,222,675	\$ 6,071,333	\$ (151,342)
Education Protection Account Funds	-	1,909,076	1,909,076	-
Local Sources	3,803,249	3,110,757	3,268,881	158,124
Federal Revenue	674,946	678,924	643,106	(35,818)
Other State Revenue	2,013,487	811,342	843,898	32,556
Other Local Revenue	1,524,481	1,676,784	1,632,998	(43,786)
Total Revenues	<u>13,364,099</u>	<u>14,409,558</u>	<u>14,369,292</u>	<u>(40,266)</u>
Expenditures:				
Current:				
Certificated Salaries	7,073,135	6,996,676	6,996,204	472
Classified Salaries	2,542,098	2,581,846	2,581,721	125
Employee Benefits	3,079,857	2,740,344	2,740,161	183
Books And Supplies	387,430	479,773	478,927	846
Services And Other Operating Expenditures	1,047,609	1,496,257	1,493,915	2,342
Debt Service:				
Principal	398,290	398,290	393,290	5,000
Interest	97,660	97,660	101,132	(3,472)
Total Expenditures	<u>14,626,079</u>	<u>14,790,846</u>	<u>14,785,350</u>	<u>5,496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,261,980)</u>	<u>(381,288)</u>	<u>(416,058)</u>	<u>(34,770)</u>
Net Change in Fund Balance	<u>(1,261,980)</u>	<u>(381,288)</u>	<u>(416,058)</u>	<u>(34,770)</u>
Fund Balance, July 1	1,506,463	1,506,463	1,506,463	-
Fund Balance, June 30	<u>\$ 244,483</u>	<u>\$ 1,125,175</u>	<u>\$ 1,090,405</u>	<u>\$ (34,770)</u>

The notes to required supplementary information are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2014

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%

ALPINE UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2014

Budgetary Comparison Schedule - General Fund

The budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources	\$ 14,732,695
Less On Behalf Payments for year ended June 30, 2014	<u>(363,403)</u>
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources	<u>\$ 14,369,292</u>
General Fund - Fund Financial Statements Expenditures and Other Financing Uses	\$ 15,148,753
Less On Behalf Payments for year ended June 30, 2014	<u>(363,403)</u>
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses	<u>\$ 14,785,350</u>

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 GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Fund		Total Nonmajor Governmental Funds (See Exhibit A-3)
	Cafeteria Fund	Capital Projects Funds	
ASSETS:			
Cash in County Treasury	\$ 17,067	\$ 255,828	\$ 272,895
Cash on Hand and in Banks	370	-	370
Cash with a Fiscal Agent/Trustee	-	3	3
Accounts Receivable	17,433	96	17,529
Due from Other Funds	-	19,500	19,500
Stores Inventories	9,169	-	9,169
Total Assets	<u>44,039</u>	<u>275,427</u>	<u>319,466</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 9,203	\$ -	\$ 9,203
Due to Other Funds	25,667	-	25,667
Total Liabilities	<u>34,870</u>	<u>-</u>	<u>34,870</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	9,169	-	9,169
Assigned Fund Balances - Capital Projects	-	275,427	275,427
Total Fund Balance	<u>9,169</u>	<u>275,427</u>	<u>284,596</u>
Total Liabilities and Fund Balances	<u>\$ 44,039</u>	<u>\$ 275,427</u>	<u>\$ 319,466</u>

ALPINE UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Fund		Total Nonmajor Governmental Funds (See Exhibit A-5)
	Cafeteria Fund	Capital Projects Funds	
Revenues:			
Federal Revenue	\$ 255,567	\$ 216,254	\$ 471,821
Other State Revenue	17,585	-	17,585
Other Local Revenue	278,807	260,231	539,038
Total Revenues	<u>551,959</u>	<u>476,485</u>	<u>1,028,444</u>
Expenditures:			
Pupil Services	547,019	-	547,019
General Administration	-	4,900	4,900
Plant Services	1,476	2,030	3,506
Debt Service:			
Interest	-	216,255	216,255
Total Expenditures	<u>548,495</u>	<u>223,185</u>	<u>771,680</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,464</u>	<u>253,300</u>	<u>256,764</u>
Net Change in Fund Balance	3,464	253,300	256,764
Fund Balance, July 1	5,705	22,127	27,832
Fund Balance, June 30	<u>\$ 9,169</u>	<u>\$ 275,427</u>	<u>\$ 284,596</u>

ALPINE UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash in County Treasury	\$ -	\$ 255,828	\$ 255,828
Cash with a Fiscal Agent/Trustee	3	-	3
Accounts Receivable	-	96	96
Due from Other Funds	-	19,500	19,500
Total Assets	<u>3</u>	<u>275,424</u>	<u>275,427</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Assigned Fund Balances - Capital Projects	\$ 3	\$ 275,424	\$ 275,427
Total Fund Balance	<u>3</u>	<u>275,424</u>	<u>275,427</u>
Total Liabilities and Fund Balances	<u>\$ 3</u>	<u>\$ 275,424</u>	<u>\$ 275,427</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, 2014

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 216,254	\$ -	\$ 216,254
Other Local Revenue	2	260,229	260,231
Total Revenues	<u>216,256</u>	<u>260,229</u>	<u>476,485</u>
Expenditures:			
General Administration	-	4,900	4,900
Plant Services	-	2,030	2,030
Debt Service:			
Interest	216,255	-	216,255
Total Expenditures	<u>216,255</u>	<u>6,930</u>	<u>223,185</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1</u>	<u>253,299</u>	<u>253,300</u>
Net Change in Fund Balance	1	253,299	253,300
Fund Balance, July 1	2	22,125	22,127
Fund Balance, June 30	<u>\$ 3</u>	<u>\$ 275,424</u>	<u>\$ 275,427</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, 2014

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, 2014

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	746.28	N/A	754.12	N/A
Extended Year Special Education	1.89	N/A	1.89	N/A
TK/K-3 Totals	<u>748.17</u>	<u>N/A</u>	<u>756.01</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	531.10	N/A	532.87	N/A
Extended Year Special Education	0.60	N/A	0.60	N/A
Grades 4-6 Totals	<u>531.70</u>	<u>N/A</u>	<u>533.47</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	420.62	N/A	420.77	N/A
Extended Year Special Education	0.51	N/A	0.51	N/A
Nonpublic, Nonsectarian Schools	1.29	N/A	1.22	N/A
Extended Year - Nonpublic	0.14	N/A	0.14	N/A
Community Day Schools	1.89	N/A	2.14	N/A
Grades 4-6 Totals	<u>424.45</u>	<u>N/A</u>	<u>424.78</u>	<u>N/A</u>
ADA totals	<u>1,704.32</u>	<u>N/A</u>	<u>1,714.26</u>	<u>N/A</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, 2014

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2013-14 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	35,000	47,440	175	-	Complied
Kindergarten	36,000	35,000	47,440	175	-	Complied
Grade 1	50,400	49,000	51,240	175	-	Complied
Grade 2	50,400	49,000	51,240	175	-	Complied
Grade 3	50,400	49,000	51,240	175	-	Complied
Grade 4	54,000	52,500	53,655	175	-	Complied
Grade 5	54,000	52,500	53,655	175	-	Complied
Grade 6	54,000	52,500	59,185	175	-	Complied
Grade 7	54,000	52,500	59,185	175	-	Complied
Grade 8	54,000	52,500	59,185	175	-	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 met or exceeded its target funding.

ALPINE UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2014

TABLE D-3

General Fund	Budget 2015 (See Note 1)	2014	2013	2012
Revenues and other financial sources	\$ 14,437,505	\$ 14,732,695	\$ 14,580,312	\$ 15,098,075
Expenditures, other uses and transfers out	14,786,888	15,148,753	14,580,393	15,645,379
Change in fund balance (deficit)	(349,383)	(416,058)	(81)	(547,304)
Ending fund balance	\$ 741,022	\$ 1,090,405	\$ 1,506,463	\$ 1,506,544
Available reserves (See Note 2)	\$ 725,616	\$ 716,999	\$ 1,411,447	\$ 1,384,009
Available reserves as a percentage of total outgo (See Note 3)	4.9%	4.8%	9.9%	9.0%
Total long-term debt	\$ 22,500,088	\$ 22,679,798	\$ 22,866,263	\$ 22,782,200
Average daily attendance at P-2	1,660	1,704	1,784	1,939

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 \$963,443 (46.91%) over the past three years. The fiscal year 2014-2015 budget projects a decrease of \$349,383 (32.04%). 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 \$190,408 over the past three years.

Average daily attendance has decreased by 261 over the past three years.

Notes:

- 1 Budget 2015 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 \$363,403, \$355,797, and \$350,748, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013 and 2012.

ALPINE UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

TABLE D-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, 2014

TABLE D-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	-	\$ 216,255
Total U. S. Department of the Treasury			<u>216,255</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041		59,159
Passed Through Grossmont Union High School District:			
Workability	84.158	10006	18,488
Passed Through State Department of Education:			
Title I	84.010	14329	123,624
Special Education IDEA Basic	84.027	13379	302,500
Special Education IDEA Preschool Local entitlement	84.027A	13682	35,315
Special Education IDEA Preschool	84.173	13430	20,880
Special Education Preschool Staff Development	84.173A	13431	152
Total Special Education Cluster			<u>358,847</u>
Indian Education	84.060	10011	12,328
Title III - LEP	84.365	14346	6,127
Title II - Teacher Quality	84.367	14341	64,533
Total Passed Through State Department of Education			<u>565,459</u>
Total U. S. Department of Education			<u>643,106</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program Basic	10.553	13525	6,188
School Breakfast Program Needy	10.553	13526	39,517
National School Lunch Section 4	10.555	13391	35,139
National School Lunch Section 11	10.555	13396	147,607
Commodities *	10.555	13396	27,116
Total Child Nutrition Cluster			<u>255,567</u>
Total Passed Through State Department of Education			<u>255,567</u>
Total U. S. Department of Agriculture			<u>255,567</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,114,928</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, 2014

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, 2014, 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 November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Alpine Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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) 2014-1.

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
November 12, 2014

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 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 Alpine Union School District's major federal programs for the year ended June 30, 2014. 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 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 Alpine Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2014.

Report on Internal Control Over Compliance

Management of 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 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 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
November 12, 2014

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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, 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, 2014.

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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	N/A
Instructional Time for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

El Cajon Office

Emeryville Office

Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-1.

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 compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
November 12, 2014

Findings and Recommendations Section

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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>
21.000	ARRA - Build America Bonds
84.010	Title I

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, 2014

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2014-1 (10000)
Attendance

Criteria or Specific Requirement

Determine if the District is following approved attendance procedures and using approved attendance forms.

Condition

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.

Context

Education Code Section 44809 and California Code of Regulations, Title 5, Section 401 require that CDE approve all forms and procedures that constitute an LEAs attendance system. Currently, the CDE approves online attendance accounting systems that provide for teachers signing and dating a weekly printout of attendance records entered online during the previous week.

Cause

The District purchased a new attendance software, but has not yet submitted forms and procedures constituting their attendance to CDE for approval. As there are no written procedures yet in place, school site personnel did not understand that the requirement for teachers to verify the online attendance weekly.

Effect

The District is out of compliance with attendance system requirements.

Questioned Costs

None, we were able to perform other procedures to ensure that attendance was reported correctly.

Recommendation

Prepare and submit attendance procedures to CDE for approval. Provide training to school site personnel to ensure complete understanding of approved attendance procedures. Establish a monitoring system over attendance.

LEA's Response

The district will prepare and submit attendance procedures to California Department of Education. All schools have been directed to maintain teacher verification of absences on a weekly basis with written verifications completed by teachers within one week from the end of each weekly period. A pupil attendance training was provided to all school records clerks on Friday October 24, 2014.

ALPINE UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the prior year audit report.		