

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

**AUDIT REPORT**

**JUNE 30, 2012**

**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, 2012

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Audit Report  
For The Year Ended June 30, 2012

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## Financial Section

**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

**Independent Auditor's Report on Financial Statements**

Board of Trustees  
Alpine Union School District  
Alpine, California

Members of the Board of Trustees:

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 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Alpine Union School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alpine Union School District's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 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 2011-12*, published by the Education Audit Appeals Panel, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 13, 2012

ALPINE UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012  
(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, 2012. 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 Assets 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 2011-2012 are as follows:

- Total net assets are \$1,383,195
- Unrestricted net assets (assets not invested in buildings, land, or equipment, and not restricted for debt payment or reserved for projects and educational programs) are \$133,820.
- Outstanding Capital Lease-Purchase Debt decreased from \$858,853 to \$771,593 during the 2011/12 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 2011-2012?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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 Assets 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, are the General Fund, the Building Fund, and the Bond Interest and Redemption 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 Assets 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 Assets provides the perspective of the district as a whole. Table I provides a summary of the district's net assets.

Table 1  
Statement of Net Assets  
June 30

	<u>2010-11*</u>	<u>2011-12</u>	<u>% Change</u>
<b>Assets</b>			
Cash	5,928,419	2,059,459	-65.26%
Receivables	2,956,616	3,557,005	20.31%
Stores	10,949	11,215	2.43%
Prepaid Debt Issue Costs	406,956	337,273	-17.12%
Capital Assets:			
Land	2,137,026	2,137,026	0.00%
Land Improvements	7,621,382	7,621,382	0.00%
Buildings and Improvements	22,727,453	24,376,753	7.26%
Equipment	941,591	1,248,869	32.63%
Less Accumulated Depreciation	<u>(12,964,820)</u>	<u>(13,942,810)</u>	7.54%
Total Assets	<u>29,765,572</u>	<u>27,406,172</u>	-7.93%
<b>Liabilities</b>			
Accounts payable	1,981,249	3,221,299	62.59%
Deferred Revenue	13,698	19,478	42.20%
Long-Term Liabilities:			
Due Within One Year	965,313	1,036,571	7.38%
Due in More Than One Year	14,956,073	14,585,145	-2.48%
Accreted Interest Due in More Than One Year	<u>6,423,004</u>	<u>7,160,484</u>	11.48%
Total Liabilities	<u>24,339,337</u>	<u>26,022,977</u>	6.92%
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	34,737	94,252	171.33%
Restricted	5,108,944	906,803	-82.25%
Unrestricted	<u>282,554</u>	<u>133,820</u>	-52.64%
Total Net Assets	<u>5,426,235</u>	<u>1,134,875</u>	-79.09%

\* Net Assets for 2010-11 were restated in 2011-12 by \$6,364,612 in order to account for corrections to Capital Assets, Accreted Interest, and Prepaid Debt Issue Costs .

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>2010-11</u>	<u>2011-12</u>	<u>% Change</u>
General Revenue	13,020,803	13,099,263	0.60%
Program Revenue	<u>3,960,214</u>	<u>3,229,726</u>	-18.45%
Total Revenue	<u>16,981,017</u>	<u>16,328,989</u>	-3.84%

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>2010-11</u>	<u>2011-12</u>	<u>% Change</u>
Classroom Instruction	11,706,507	11,072,465	-5.42%
Instruction-Related Services	1,380,917	1,195,397	-13.43%
Pupil Services	1,844,908	1,863,611	1.01%
General Administration	963,808	1,192,402	23.72%
Plant Services	1,486,092	3,456,517	132.59%
Other Services and Activities	<u>658,407</u>	<u>1,446,637</u>	119.72%
Total Expenses	<u>18,040,639</u>	<u>20,227,029</u>	12.12%

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 2011-2012 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 2011-2012 fiscal year, the district had \$35,384,030 invested in land, buildings, and capital equipment. Depreciation totaling \$13,942,810 was charged against the value of those assets for net capital assets of \$21,441,220.

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

## Basic Financial Statements

**ALPINE UNION SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities
<b>ASSETS:</b>	
Cash	\$ 2,059,459
Receivables	3,557,005
Stores	11,215
Prepaid Debt Issue Costs	337,273
Capital Assets:	
Land	2,137,026
Improvements	7,621,382
Buildings	24,376,753
Equipment	1,248,869
Less Accumulated Depreciation	(13,942,810)
Total Assets	<u>27,406,172</u>
<b>LIABILITIES:</b>	
Accounts Payable	3,221,299
Deferred Revenue	19,478
Long-Term Liabilities:	
Due Within One Year	1,036,571
Due in More Than One Year	14,585,145
Accreted Interest Due in More Than One Year	7,160,484
Total Liabilities	<u>26,022,977</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	94,252
Restricted for:	
Capital Projects	248,320
Debt Service	768,560
Educational Programs	120,034
Other Purposes (Expendable)	4,494
Other Purposes (Nonexpendable)	13,715
Unrestricted	133,820
Total Net Assets	<u>\$ 1,383,195</u>

The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 11,072,465	\$ -	\$ 1,799,731	\$ (9,272,734)
Instruction-Related Services:				
Instructional Supervision and Administration	69,617	-	14,257	(55,360)
Instructional Library, Media and Technology	138,469	-	-	(138,469)
School Site Administration	987,311	-	6,169	(981,142)
Pupil Services:				
Home-to-School Transportation	743,852	57,935	667,388	(18,529)
Food Services	625,352	311,508	254,418	(59,426)
All Other Pupil Services	494,407	-	42,812	(451,595)
General Administration:				
Centralized Data Processing	(4,876)	-	-	4,876
All Other General Administration	1,197,278	1,028	61,497	(1,134,753)
Plant Services	3,456,517	7,146	5,837	(3,443,534)
Community Services	195,386	-	-	(195,386)
Debt Issue Costs	106,796	-	-	(106,796)
Interest on Long-Term Debt	1,144,455	-	-	(1,144,455)
<b>Total Expenses</b>	<b>\$ 20,227,029</b>	<b>\$ 377,617</b>	<b>\$ 2,852,109</b>	<b>\$ (16,997,303)</b>
<b>General Revenues:</b>				
<b>Taxes and Subventions:</b>				
Taxes Levied for General Purposes				3,648,631
Taxes Levied for Debt Service				704,417
Taxes Levied for Other Specific Purposes				(137)
Federal and State Aid, Not Restricted				8,190,008
Interest and Investment Earnings				24,579
Miscellaneous				531,765
<b>Total General Revenues, Special and Extraordinary</b>				<b>13,099,263</b>
Change in Net Assets				(3,898,040)
Net Assets Beginning				11,645,847
Adjustment to Beginning Net Assets (Note N)				(6,364,612)
Net Assets Ending				<u>\$ 1,383,195</u>

The accompanying notes are an integral part of this statement.



**ALPINE UNION SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<u>General Fund</u>	<u>Building Fund</u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 538,576	\$ -
Cash on Hand and in Banks	2,230	-
Cash in Revolving Fund	2,500	-
Cash with a Fiscal Agent/Trustee	-	740,951
Accounts Receivable	3,505,171	-
Due from Other Funds	50,437	-
Stores Inventories	-	-
Total Assets	<u>\$ 4,098,914</u>	<u>\$ 740,951</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 256,569	\$ 492,630
Due to Grantor Governments	2,316,324	-
Due to Other Funds	-	-
Deferred Revenue	19,477	-
Total Liabilities	<u>2,592,370</u>	<u>492,630</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,500	-
Stores Inventories	-	-
Restricted Fund Balances	34,577	-
Committed Fund Balances	-	-
Assigned Fund Balances	85,457	248,321
Unassigned:		
Reserve for Economic Uncertainty	1,384,010	-
Total Fund Balance	<u>1,506,544</u>	<u>248,321</u>
Total Liabilities and Fund Balances	<u>\$ 4,098,914</u>	<u>\$ 740,951</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 768,560	\$ 6,072	\$ 1,313,208
-	570	2,800
-	-	2,500
-	-	740,951
-	51,834	3,557,005
-	-	50,437
-	11,215	11,215
<u>\$ 768,560</u>	<u>\$ 69,691</u>	<u>\$ 5,678,116</u>
\$ -	\$ 3,546	\$ 752,745
-	-	2,316,324
-	50,437	50,437
-	-	19,477
<u>-</u>	<u>53,983</u>	<u>3,138,983</u>
-	-	2,500
-	11,215	11,215
-	4,493	39,070
768,560	-	768,560
-	-	333,778
<u>-</u>	<u>-</u>	<u>1,384,010</u>
<u>768,560</u>	<u>15,708</u>	<u>2,539,133</u>
<u>\$ 768,560</u>	<u>\$ 69,691</u>	<u>\$ 5,678,116</u>

**ALPINE UNION SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

Total fund balances - governmental funds balance sheet \$ 2,539,133

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

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

Capital assets relating to governmental activities, at historical cost:	35,384,030	
Accumulated depreciation:	<u>(13,942,810)</u>	
Net:		21,441,220

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:

337,273

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 unamatured interest owing at the end of the period was:

(152,231)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	16,041,438	
Compensated absences payable	346,127	
Net OPEB obligation	962,245	
Certificates of Participation	4,660,797	
Capital leases payable	<u>771,593</u>	
Total:		<u>(22,782,200)</u>

Net assets of governmental activities - statement of net assets \$ 1,383,195

The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Building Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 6,305,263	\$ -
Local Sources	3,671,297	-
Federal Revenue	758,711	245,183
Other State Revenue	2,164,640	-
Other Local Revenue	1,847,416	217
Total Revenues	<u>14,747,327</u>	<u>245,400</u>
Expenditures:		
Instruction	10,092,832	-
Instruction - Related Services	1,074,172	-
Pupil Services	1,514,865	-
Community Services	195,333	-
General Administration	1,051,437	-
Plant Services	1,203,098	3,878,305
Debt Service:		
Debt Issue Costs	37,113	-
Principal	87,260	-
Interest	38,521	298,252
Total Expenditures	<u>15,294,631</u>	<u>4,176,557</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(547,304)</u>	<u>(3,931,157)</u>
Net Change in Fund Balance	(547,304)	(3,931,157)
Fund Balance, July 1	2,053,848	4,179,478
Fund Balance, June 30	<u>\$ 1,506,544</u>	<u>\$ 248,321</u>

The accompanying notes are an integral part of this statement.

<u>Bond Interest &amp; Redemption</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 6,305,263
-	-	3,671,297
-	259,227	1,263,121
8,258	20,415	2,193,313
<u>698,273</u>	<u>372,163</u>	<u>2,918,069</u>
<u>706,531</u>	<u>651,805</u>	<u>16,351,063</u>
-	-	10,092,832
-	-	1,074,172
-	617,735	2,132,600
-	-	195,333
-	79,802	1,131,239
-	13,665	5,095,068
-	-	37,113
590,000	-	677,260
77,489	-	414,262
<u>667,489</u>	<u>711,202</u>	<u>20,849,879</u>
39,042	(59,397)	(4,498,816)
39,042	(59,397)	(4,498,816)
729,518	75,105	7,037,949
<u>\$ 768,560</u>	<u>\$ 15,708</u>	<u>\$ 2,539,133</u>

**ALPINE UNION SCHOOL DISTRICT**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ (4,498,816)

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	1,956,578	
	Depreciation expense	<u>(977,990)</u>	
	Net:		978,588

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: 677,260

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

	Issue costs incurred	37,113	
	Issue costs amortized	<u>(106,796)</u>	
	Net		(69,683)

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: (752,799)

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: (195,141)

Amortization of debt issue premium or discount: 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 is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 22,605

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: (60,054)

Change in net assets of governmental activities - statement of activities \$ (3,898,040)

The accompanying notes are an integral part of this statement.

**ALPINE UNION SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

JUNE 30, 2012

	Agency Fund	Student Body Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash on Hand and in Banks	\$ 49,374	
Total Assets	<u>\$ 49,374</u>	
<b>LIABILITIES:</b>		
Due to Student Groups	\$ 49,374	
Total Liabilities	<u>49,374</u>	
<b>NET ASSETS:</b>		
Total Net Assets	<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, 2012**

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 assets 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, 2012

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.

**Building Fund.** This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

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.

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

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.

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. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

**ALPINE UNION SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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. Deferred Revenue

Deferred 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 deferred 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 assets.

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, 2012**

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.

j. 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.

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 Assets of Individual Funds

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

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

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

C. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$1,313,208 as of June 30, 2012). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,317,074. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$52,174 as of June 30, 2012) 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, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Money Market Funds	<30 Days	\$ 4,244,523
Total Investments		\$ <u>4,244,523</u>

3. 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 AA+ by Standard & Poors.

b. Custodial Credit Risk

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. At year end, the District was not exposed to custodial credit 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. At year end, the District was not exposed to concentration of credit risk.

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

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 Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$1,317,074 and a book value of \$1,313,207. The weighted average days to maturity for this investment pool is 370 days.

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.

Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable at June 30, 2012 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Federal Government:				
Federal programs	\$ 162,853	\$ 45,885	-	\$ 208,738
State Government:				
Lottery	98,867	-	-	98,867
Revenue Limit	2,501,473	-	-	2,501,473
Other state programs	704,542	3,924	-	708,466
Local Sources:				
Interest	1,787	27	3	1,817
Other local sources	35,649	1,995	-	37,644
Totals	<u>\$ 3,505,171</u>	<u>\$ 51,831</u>	<u>\$ 3</u>	<u>\$ 3,557,005</u>

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
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	22,727,453	1,649,300	-	24,376,753
Improvements	7,621,382	-	-	7,621,382
Equipment	941,591	307,278	-	1,248,869
Total capital assets being depreciated	<u>31,290,426</u>	<u>1,956,578</u>	<u>-</u>	<u>33,247,004</u>
Less accumulated depreciation for:				
Buildings	(7,897,975)	(581,493)	-	(8,479,468)
Improvements	(4,207,776)	(359,279)	-	(4,567,055)
Equipment	(859,069)	(37,218)	-	(896,287)
Total accumulated depreciation	<u>(12,964,820)</u>	<u>(977,990)</u>	<u>-</u>	<u>(13,942,810)</u>
Total capital assets being depreciated, net	<u>18,325,606</u>	<u>978,588</u>	<u>-</u>	<u>19,304,194</u>
Governmental activities capital assets, net	<u>\$ 20,462,632</u>	<u>\$ 978,588</u>	<u>\$ -</u>	<u>\$ 21,441,220</u>

Depreciation was charged to functions as follows:

Instruction	\$ 817,883
Instruction-Related Services	114,785
Pupil Services	39,101
General Administration	3,306
Plant Services	2,915
	<u>\$ 977,990</u>

**F. Interfund Balances and Activities**

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

Balances due to and due from other funds at June 30, 2012 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	\$ 13,050	Direct Support
General Fund	Cafeteria Fund	33,928	Reimburse Expenses
General Fund	Capital Facilities Fund	3,459	Reimburse Expenses
	Total	<u>\$ 50,437</u>	

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

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

**G. 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.

In July 2011, the District entered into the County of San Diego and San Diego County School Districts 2011 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$1,170,000. The notes were repaid in two installments in January 2012 and April 2012. The notes were sold to supplement the District's cash flows and bore interest at a rate of 1.47%.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ -	\$ 1,170,000	\$ 1,170,000	\$ -

**H. Accounts Payable**

Accounts payable at June 30, 2012 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Vendor payables	\$ 98,871	\$ 257	\$ 493,029	\$ 592,157
Payroll and related benefits	132,917	2,890	-	135,807
Due to grantor government	2,316,324	-	-	2,316,324
Other current liabilities	24,781	-	-	24,781
Totals	<u>\$ 2,572,893</u>	<u>\$ 3,147</u>	<u>\$ 493,029</u>	<u>\$ 3,069,069</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.

**I. 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, 2012 are as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 15,707,895	\$ 737,480	\$ 590,000	\$ 15,855,375	\$ 610,000
Bond premium	213,240	-	27,177	186,063	-
Capital leases	858,853	-	87,260	771,593	80,444
Net OPEB obligations	764,749	348,402	150,906	962,245	-
Certificates of Participation	4,720,000	-	-	4,720,000	-
COPs Discount	(63,775)	-	(4,572)	(59,203)	-
Compensated absences *	286,073	60,054	-	346,127	346,127
Total governmental activities	<u>\$ 22,487,035</u>	<u>\$ 1,145,936</u>	<u>\$ 850,771</u>	<u>\$ 22,782,200</u>	<u>\$ 1,036,571</u>

\* Other long-term liabilities

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

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



**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

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, 2012 are as follows:

<u>Year Ending June 30,</u>	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2013	\$ 1,036,571	\$ -	\$ 99,879	\$ 1,136,450
2014	720,814	57,476	81,407	859,697
2015	801,002	66,042	59,802	926,846
2016	1,070,687	390,281	46,163	1,507,131
2017	643,112	971,956	19,712	1,634,780
2018-2022	3,336,267	7,028,511	43,416	10,408,194
2023-2027	2,204,158	7,260,842	-	9,465,000
Totals	<u>\$ 9,812,611</u>	<u>\$ 15,775,108</u>	<u>\$ 350,379</u>	<u>\$ 25,938,098</u>

3. General Obligation Bonds

General obligation bonds at June 30, 2012 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 Current Interest	10/22/1999	4.00-5.35%	08/01/2012	460,000
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>\$ 9,589,891</u>

  

	Beginning Balance	Increases	Decreases	Ending Balance
1997-A Capital Appreciation	\$ 2,410,605	\$ -	\$ -	\$ 2,410,605
1997-A Accreted Interest	2,541,733	274,417	-	2,816,150
1997-A Bond Premium	34,604	-	2,884	31,720
1997-B Current Interest	155,000	-	75,000	80,000
1997-B Capital Appreciation	3,664,286	-	-	3,664,286
1997-B Accreted Interest	3,881,270	463,064	-	4,344,334
1997-B Bond Premium	100,047	-	8,576	91,471
2010 Current Interest Refunding	3,055,000	-	515,000	2,540,000
2010 Bond Premium	78,590	-	15,718	62,872
Total GO Bonds	<u>\$ 15,921,135</u>	<u>\$ 737,481</u>	<u>\$ 617,178</u>	<u>\$ 16,041,438</u>

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

The annual requirements to amortize the bonds outstanding at June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	Principal	Accreted Interest	Interest	Total
2013	\$ 610,000	\$ -	\$ 64,795	\$ 674,795
2014	637,524	54,476	49,915	741,915
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
2018-2022	3,001,488	7,028,512	-	10,030,000
2023-2027	2,204,158	7,260,842	-	9,465,000
Totals	<u>\$ 8,694,891</u>	<u>\$ 15,772,109</u>	<u>\$ 169,125</u>	<u>\$ 24,636,125</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2012 are as follows:

<u>Year Ending June 30:</u>	
2013	\$ 115,528
2014	114,782
2015	114,781
2016	114,781
2017	114,780
2018-2022	378,195
Total Minimum Lease Payments	\$ 952,847
Less: Interest	(181,254)
Net Minimum Lease Payments	<u>\$ 771,593</u>

5. Certificates of Participation

Certificates of participation at June 30, 2012 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2010 Series A Taxable COPs	06/16/2010	4.513-7.33%	04/15/2027	\$ 4,470,000
2010 Series B Taxable COPs	07/08/2010	4.50%	04/15/2014	250,000
Total COPs				<u>\$ 4,720,000</u>
	Beginning Balance	Increases	Decreases	Ending Balance
2010 Series A Taxable COPs	\$ 4,470,000	\$ -	\$ -	\$ 4,470,000
2010 Series A COPs Discount	(61,612)	-	(3,851)	(57,761)
2010 Series B Taxable COPs	250,000	-	-	250,000
2010 Series B COPs Discount	(2,163)	-	(721)	(1,442)
Total COPs	<u>\$ 4,656,225</u>	<u>\$ -</u>	<u>\$ (4,572)</u>	<u>\$ 4,660,797</u>

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

Future commitments for certificates of participation as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 298,252	\$ 298,252
2014	315,000	298,252	613,252
2015	330,000	284,068	614,068
2016	330,000	267,856	597,856
2017	330,000	250,415	580,415
2018-2022	1,660,000	955,000	2,615,000
2023-2027	1,755,000	384,950	2,139,950
Totals	<u>\$ 4,720,000</u>	<u>\$ 2,738,793</u>	<u>\$ 7,458,793</u>

6. Prepaid Debt Issue Costs

Prepaid debt issue costs being amortized over the life of the debt at June 30, 2012 consisted of the following:

	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2007-A GO Bonds	\$ 71,302	\$ 34,225	\$ -	\$ 2,852	\$ 31,373
2007-B GO Bonds Current	18,216	2,802	-	1,401	1,401
2007-B GO Bonds Capital	145,105	81,259	-	5,804	75,455
2010 Refunding Bonds	106,073	106,073	-	21,215	84,858
2010 Series A COPs	88,091	82,909	-	5,182	77,727
2010 Series B COPs	99,688	99,688	-	33,229	66,459
Total COPs	<u>\$ 528,475</u>	<u>\$ 406,956</u>	<u>\$ -</u>	<u>\$ 69,683</u>	<u>\$ 337,273</u>

J. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRМ). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, 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 JPA.

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2012 is as follows:

Total Assets	\$ 147,973
Total Liabilities	18,247
Total Fund Balance	129,726
Total Cash Receipts	102,156
Total Cash Disbursements	105,521
Net Change in Fund Balance	(3,365)

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

K. 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 2011-12 was 10.923% 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, 2012, 2011 and 2010 were \$210,909, \$215,565 and \$208,977, respectively, and equal 100% of the required contributions for each year.

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 2011-12 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, 2012, 2011 and 2010 were \$596,070, \$638,958 and \$882,486, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$350,748.

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

L. 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 2011-12, the District contributed \$150,906 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	\$ 348,402
Contribution made	<u>(150,906)</u>
Increase in net OPEB obligation	197,496
Net OPEB obligation, beginning of year	764,749
Net OPEB obligation, end of year	<u>\$ 962,245</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 and 2012 was as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 371,015	36%	\$ 764,749
2012	348,402	43%	962,245

Funding Status and Funding Progress

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

**ALPINE UNION SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

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.

M. 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.

N. Adjustment to Beginning Balance

Corrections were made to government-wide beginning net assets as follows:

Beginning net assets, as originally stated	\$ 11,645,847
Adjustments:	
Accreted interest restatement	(6,423,004)
Bond premium restatement	(213,240)
COPs discount restatement	63,775
Prepaid debt issue costs restatement	406,956
Capital assets and accumulated depreciation restatement	<u>(199,099)</u>
Beginning net assets, as restated	<u>\$ 5,281,235</u>

## 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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue Limit Sources:				
State Apportionments	\$ 5,746,658	\$ 6,308,291	\$ 6,305,263	\$ (3,028)
Local Sources	3,660,000	3,659,778	3,671,297	11,519
Federal Revenue	731,269	740,273	758,711	18,438
Other State Revenue	1,985,023	2,090,529	2,164,640	74,111
Other Local Revenue	1,841,700	1,880,755	1,847,416	(33,339)
Total Revenues	<u>13,964,650</u>	<u>14,679,626</u>	<u>14,747,327</u>	<u>67,701</u>
<b>Expenditures:</b>				
Current:				
Certificated Salaries	6,814,660	7,259,295	7,259,225	70
Classified Salaries	2,528,167	2,535,072	2,520,688	14,384
Employee Benefits	3,259,903	3,314,226	3,298,371	15,855
Books And Supplies	583,882	579,421	544,059	35,362
Services And Other Operating Expenditures	959,110	1,239,254	1,239,229	25
Capital Outlay	310,000	310,000	307,278	2,722
Debt Service:				
Principal	87,660	87,660	87,260	400
Interest	38,521	38,521	38,521	-
Total Expenditures	<u>14,581,903</u>	<u>15,363,449</u>	<u>15,294,631</u>	<u>68,818</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(617,253)</u>	<u>(683,823)</u>	<u>(547,304)</u>	<u>136,519</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(617,253)</u>	<u>(683,823)</u>	<u>(547,304)</u>	<u>136,519</u>
Fund Balance, July 1	2,053,848	2,053,848	2,053,848	-
Fund Balance, June 30	<u>\$ 1,436,595</u>	<u>\$ 1,370,025</u>	<u>\$ 1,506,544</u>	<u>\$ 136,519</u>



**ALPINE UNION SCHOOL DISTRICT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN  
 YEAR ENDED JUNE 30, 2012

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%

## 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, 2012

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
	Cafeteria Fund	Capital Facilities Fund	
<b>ASSETS:</b>			
Cash in County Treasury	\$ 2,217	\$ 3,855	\$ 6,072
Cash on Hand and in Banks	570	-	570
Accounts Receivable	51,831	3	51,834
Stores Inventories	11,215	-	11,215
Total Assets	<u>\$ 65,833</u>	<u>\$ 3,858</u>	<u>\$ 69,691</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 3,147	\$ 399	\$ 3,546
Due to Other Funds	46,978	3,459	50,437
Total Liabilities	<u>50,125</u>	<u>3,858</u>	<u>53,983</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	11,215	-	11,215
Restricted Fund Balances	4,493	-	4,493
Total Fund Balance	<u>15,708</u>	<u>-</u>	<u>15,708</u>
Total Liabilities and Fund Balances	<u>\$ 65,833</u>	<u>\$ 3,858</u>	<u>\$ 69,691</u>

**ALPINE UNION SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
	Cafeteria Fund	Capital Facilities Fund	
Revenues:			
Federal Revenue	\$ 259,227	\$ -	\$ 259,227
Other State Revenue	20,415	-	20,415
Other Local Revenue	321,341	50,822	372,163
Total Revenues	<u>600,983</u>	<u>50,822</u>	<u>651,805</u>
Expenditures:			
Pupil Services	617,735	-	617,735
General Administration	-	79,802	79,802
Plant Services	13,665	-	13,665
Total Expenditures	<u>631,400</u>	<u>79,802</u>	<u>711,202</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,417)</u>	<u>(28,980)</u>	<u>(59,397)</u>
Net Change in Fund Balance	(30,417)	(28,980)	(59,397)
Fund Balance, July 1	46,125	28,980	75,105
Fund Balance, June 30	<u>\$ 15,708</u>	<u>\$ -</u>	<u>\$ 15,708</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, 2012

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>
Gina Henke	President	Four year term Expires December 2014
Ann Pierce	Vice President	Four year term Expires December 2012
Glenn Dickie	Clerk	Four year term Expires December 2014
Eric Wray	Member	Four year term Expires December 2014
Mark Price	Member	Four year term Expires December 2012

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, 2012

**TABLE D-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	227.51	N/A	233.44	N/A
Grades 1 through 3	548.68	N/A	547.51	N/A
Grades 4 through 6	641.69	N/A	641.55	N/A
Grades 7 and 8	473.80	N/A	472.39	N/A
Home and hospital	0.53	N/A	0.64	N/A
Community day school	3.36	N/A	3.61	N/A
Special education	43.92	N/A	43.88	N/A
Elementary totals	<u>1,939.49</u>	<u>N/A</u>	<u>1,943.02</u>	<u>N/A</u>
ADA totals	<u>1,939.49</u>	<u>N/A</u>	<u>1,943.02</u>	<u>N/A</u>

Note: There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.



**ALPINE UNION SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**YEAR ENDED JUNE 30, 2012**

**TABLE D-2**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted &amp; Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted &amp; Reduced</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	34,290	32,004	36,000	33,600	38,715	175	-	Complied
Grade 1	50,725	47,343	50,400	47,040	50,365	175	-	Complied
Grade 2	50,725	47,343	50,400	47,040	50,365	175	-	Complied
Grade 3	50,725	47,343	50,400	47,040	50,365	175	-	Complied
Grade 4	53,320	49,765	54,000	50,400	52,780	175	-	Complied
Grade 5	53,897	50,304	54,000	50,400	52,780	175	-	Complied
Grade 6	58,322	54,434	54,000	50,400	56,910	175	-	Complied
Grade 7	58,322	54,434	54,000	50,400	56,910	175	-	Complied
Grade 8	58,322	54,434	54,000	50,400	56,910	175	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. 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 46206.

**ALPINE UNION SCHOOL DISTRICT**  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 YEAR ENDED JUNE 30, 2012

**TABLE D-3**

General Fund	Budget 2013 (See Note 1)	2012	2011	2010
Revenues and other financial sources	\$ 14,174,080	\$ 14,747,327	\$ 15,758,085	\$ 16,066,431
Expenditures, other uses and transfers out	14,520,994	15,294,631	15,730,552	16,427,568
Change in fund balance (deficit)	(346,914)	(547,304)	27,533	(361,137)
Ending fund balance	<u>\$ 1,159,630</u>	<u>\$ 1,506,544</u>	<u>\$ 2,053,848</u>	<u>\$ 2,026,315</u>
Available reserves (See Note 2)	<u>\$ 1,052,005</u>	<u>\$ 1,384,009</u>	<u>\$ 2,023,948</u>	<u>\$ 1,735,170</u>
Available reserves as a percentage of total outgo	<u>7.2%</u>	<u>9.0%</u>	<u>12.8%</u>	<u>10.8%</u>
Total long-term debt	<u>\$ 22,526,751</u>	<u>\$ 22,782,200</u>	<u>\$ 22,489,390</u>	<u>\$ 16,984,624</u>
Average daily attendance at P-2	<u>1,911</u>	<u>1,939</u>	<u>1,965</u>	<u>1,975</u>

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The general fund balance has decreased by \$880,907 (36.90%) over the past three years. The fiscal year 2012-2013 budget projects a decrease of \$346,914 (23.03%). 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 \$5,797,576 over the past two years. This increase is the result of one bond refinance in 2010-11 and accruing accreted interest associated with capital appreciation bonds issued in 1997 and 1999.

Average daily attendance has decreased by 36 over the past two years.

Notes:

- 1 Budget 2013 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

**ALPINE UNION SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

**TABLE D-4**

	Schedule of Long-Term Liabilities
June 30, 2012, annual financial and budget report total liabilities	\$ <u>15,494,856</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Accreted interest understatement	7,160,484
Bond premium understatement	186,063
COPs discount understatement	<u>(59,203)</u>
June 30, 2012, audited financial statement total liabilities	\$ <u><u>22,782,200</u></u>

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

**ALPINE UNION SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2012

TABLE D-5

No charter schools are chartered by Alpine Union School District.

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

**ALPINE UNION SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2012**

**TABLE D-6**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF THE TREASURY</u></b>			
Direct Program:			
ARRA-Build America Bonds	21.000	-	\$ 245,183
Total U. S. Department of the Treasury			<u>245,183</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041	-	56,110
Passed Through Grossmont Union High School District:			
Workability	84.158	10006	23,956
Passed Through State Department of Education:			
Title I	84.010	14329	195,859
Special Education IDEA Basic	84.027	13379	349,925
Special Education IDEA Mental Health	84.027A	14468	11,409
Special Education IDEA Preschool Local Entitlement	84.027A	13682	19,494
Special Education IDEA Preschool	84.173	13430	11,115
Special Education Preschool Staff Development	84.173A	13431	81
Total Special Education Cluster			<u>392,024</u>
Indian Education	84.060	10011	13,187
Emergency Response & Crisis Management	84.184E	13453	165
Title III - LEP	84.365	10084	7,843
Title II Teacher Quality	84.367	14341	62,606
Title II Administrator Training	84.367	14344	1,500
Total Title II			<u>64,106</u>
ARRA-Education Jobs Fund	84.410	25152	5,461
Total Passed Through State Department of Education			<u>678,645</u>
Total U. S. Department of Education			<u>758,711</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
School Breakfast Program Basic	10.553	13525	16,184
School Breakfast Program Needy	10.553	13526	39,114
National School Lunch Section 4	10.555	13391	32,447
National School Lunch Section 11	10.555	13396	148,815
Total Child Nutrition Cluster			<u>236,560</u>
Commodities*	10.565	-	22,074
Total Passed Through State Department of Education			<u>258,634</u>
Total U. S. Department of Agriculture			<u>258,634</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,262,528</u></b>

\* 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, 2012

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

**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

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

Members of the Board of Trustees:

We have audited 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, 2012, which collectively comprise the Alpine Union School District's basic financial statements and have issued our report thereon dated December 13, 2012. 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.

Internal Control Over Financial Reporting

Management of Alpine Union School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Alpine Union School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alpine Union School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alpine Union School District's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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



We noted certain matters that we reported to management of Alpine Union School District in a separate letter dated December 13, 2012.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 13, 2012

**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

**Independent Auditor's Report**

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees  
Alpine Union School District  
Alpine, California

Members of the Board of Trustees:

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Alpine Union School District's management. Our responsibility is to express an opinion on Alpine Union School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Alpine Union School District's compliance with those requirements.

In our opinion, Alpine Union School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Alpine Union School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Alpine Union School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson* *Hadley* *King & Co., LLP*

El Cajon, California  
December 13, 2012

**Wilkinson Hadley King & Co. LLP**

CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California

**Independent Auditor's Report on State Compliance**

Board of Trustees  
Alpine Union School District  
Alpine, California

Members of the Board of Trustees:

We have audited the basic financial statements of the Alpine Union School District ("District") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 13, 2012. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above 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 material effect on the state laws and regulations applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
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:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	N/A

Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Contemporaneous Records of Attendance, For Charter Schools	3	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	4	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.

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, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 13, 2012

## Findings and Recommendations Section

**ALPINE UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are 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: Unqualified

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
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?        Yes   X   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.        Yes   X   None Reported

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

**ALPINE UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**B. Financial Statement Findings**

NONE

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

NONE

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

NONE



**ALPINE UNION SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

<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.		