

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

AUDIT REPORT

JUNE 30, 2011

**WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020**

Introductory Section

Alpine Union School District
 Audit Report
 For The Year Ended June 30, 2011

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Audit Report
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Financial Section

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

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, 2011, 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, 2011, 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 1, 2011, 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 2010-11*, 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 1, 2011

**ALPINE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011
(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, 2011. 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 2010-2011 are as follows:

- Total net assets are \$11,645,847.
- District issued \$4,720,000 in Certificates of Participation Debt in July 2010.
- 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 \$738,916.
- Outstanding Capital Lease-Purchase Debt decreased from \$943,223 to \$858,853 during the 2010/11 fiscal year.
- Outstanding General Obligation Bonds Debt decreased from \$9,559,891 to \$9,284,891 during the 2010/11 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 2010-2011?" 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, is the General 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

Assets	2008-09	2009-10	2010-11
Cash	\$2,481,788	\$ 911,800	\$5,928,419
Investments	-	-	-
Receivables	2,191,884	2,154,760	2,956,616
Due from other funds	-	-	-
Stores	9,839	12,253	10,949
Prepaid expenses	270	-	-
Other current assets	-	-	-
Capital assets:			
Land	2,137,026	2,137,026	2,137,026
Sites and improvements	7,621,382	7,621,382	7,621,382
Buildings and improvements	22,522,425	22,727,953	22,727,953
Equipment	896,991	896,991	896,991
Work in progress	-	-	-
Less accumulated depreciation	<10,954,720>	<11,847,494>	<12,721,621>
Total assets	\$26,906,885	\$24,614,671	\$29,557,715
Liabilities			
Accounts payable	431,776	453,001	1,981,249
Due to other funds	-	-	-
Deferred revenue	75,744	53,283	13,698
Long-term liabilities:			
Due within one year	650,507	728,452	965,313
Due in more than one year	<u>10,769,998</u>	<u>10,529,464</u>	<u>14,951,608</u>
Total liabilities	\$11,928,025	\$11,764,200	\$17,911,868
Net Assets			
Invested in capital assets	11,024,731	10,502,022	5,797,987
Restricted	1,613,561	1,047,560	5,108,944
Unrestricted	<u>2,340,568</u>	<u>1,300,889</u>	<u>738,916</u>
Total net assets	\$14,978,860	\$12,850,471	\$11,645,847

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>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
General Revenue	\$15,923,489	\$12,569,542	\$ 13,020,803
Program Revenue for Services	<u>4,813,173</u>	<u>3,599,897</u>	<u>3,960,214</u>
Total Revenue	\$20,736,662	\$16,169,439	\$ 16,981,017

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

Classroom Instruction	\$12,736,260	\$12,088,453	\$11,706,507
Instructional Related Services	1,810,249	1,674,486	1,380,917
Pupil Services	1,962,902	1,799,137	1,844,908
General Administration	939,944	935,674	963,808
Plant Services	1,482,019	1,303,502	1,486,092
Other Services and Activities	<u>538,944</u>	<u>496,573</u>	<u>803,407</u>
Total Expenditures	\$19,470,318	\$18,297,825	\$18,185,639

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 2010-2011 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 2010-2011 fiscal year, the district had \$33,383,352 invested in land, buildings, and capital equipment. Depreciation totaling \$12,721,621 was charged against the value of those assets for net capital assets of \$20,661,731.

CURRENT FINANCIAL RELATED ACTIVITIES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rob Turner, Business Manager at Alpine Union School District, 1323 Administration Way, Alpine, CA 91901 or e-mail to robturner@alpineschools.net .

Basic Financial Statements

ALPINE UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 1,656,081
Cash on Hand and in Banks	25,315
Cash in Revolving Fund	2,500
Cash with Fiscal Agent	4,244,523
Accounts Receivable	2,956,616
Stores Inventories	10,949
Capital Assets:	
Land	2,137,026
Improvements	7,621,382
Buildings	22,727,953
Equipment	896,991
Less Accumulated Depreciation	(12,721,621)
Total Assets	<u>29,557,715</u>
LIABILITIES:	
Accounts Payable	1,981,249
Deferred Revenues	13,698
Long-term Liabilities:	
Due within one year	965,313
Due in more than one year	14,951,608
Total Liabilities	<u>17,911,868</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	5,797,987
Restricted For:	
Capital Projects	4,208,458
Debt Service	729,518
Educational Programs	122,343
Other Purposes (expendable)	35,176
Other Purposes (nonexpendable)	13,449
Unrestricted	738,916
Total Net Assets	<u>\$ 11,645,847</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 11,706,507	\$ -	\$ 2,659,887	\$ -	\$ (9,046,620)
Instruction-Related Services:					
Instructional Supervision and Administration	265,561	-	14,878	-	(250,683)
Instructional Library, Media and Technology	57,744	-	-	-	(57,744)
School Site Administration	1,057,612	-	6,904	-	(1,050,708)
Pupil Services:					
Home-to-School Trans- portation	804,195	60,030	460,856	-	(283,309)
Food Services	611,482	336,936	250,794	-	(23,752)
All Other Pupil Services	429,231	-	12,023	-	(417,208)
General Administration:					
All Other General Administration	963,808	1,885	113,855	-	(848,068)
Plant Services	1,486,092	8,082	34,084	-	(1,443,926)
Community Services	220,879	-	-	-	(220,879)
Other Outgo	145,000	-	-	-	(145,000)
Interest on Long-Term Debt	437,528	-	-	-	(437,528)
Total Expenses	<u>\$ 18,185,639</u>	<u>\$ 406,933</u>	<u>\$ 3,553,281</u>	<u>\$ -</u>	<u>\$ (14,225,425)</u>
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					3,647,836
Taxes Levied for Debt Service					665,949
Taxes Levied for Other Specific Purposes					(189)
Federal and State Aid Not Restricted to Specific Programs					8,424,173
Interest and Investment Earnings					19,201
Miscellaneous					536,671
Special and Extraordinary Items					(272,838)
Total General Revenues, Special and Extraordinary Items,					<u>13,020,803</u>
Change in Net Assets					(1,204,622)
Net Assets Beginning					12,850,469
Net Assets Ending					<u>\$ 11,645,847</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 863,004	\$ -	\$ 793,078	\$ 1,656,082
Cash on Hand and in Banks	19,387	-	5,928	25,315
Cash in Revolving Fund	2,500	-	-	2,500
Cash with a Fiscal Agent/Trustee	-	4,244,523	-	4,244,523
Accounts Receivable	2,929,423	-	27,192	2,956,615
Due from Other Funds	15,480	-	-	15,480
Stores Inventories	-	-	10,949	10,949
Total Assets	\$ 3,829,794	\$ 4,244,523	\$ 837,147	\$ 8,911,464
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 231,713	\$ 65,046	\$ 17,043	\$ 313,802
Due to Grantor Governments	1,530,537	-	-	1,530,537
Due to Other Funds	-	-	15,480	15,480
Deferred Revenue	13,697	-	-	13,697
Total Liabilities	1,775,947	65,046	32,523	1,873,516
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,500	-	-	2,500
Stores Inventories	-	-	10,949	10,949
Restricted Fund Balances	27,398	-	35,177	62,575
Assigned Fund Balances	94,945	4,179,477	758,498	5,032,920
Unassigned:				
Reserve for Economic Uncertainty	1,929,004	-	-	1,929,004
Total Fund Balance	2,053,847	4,179,477	804,624	7,037,948
Total Liabilities and Fund Balances	\$ 3,829,794	\$ 4,244,523	\$ 837,147	\$ 8,911,464

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - governmental funds balance sheet	\$	7,037,948
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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:	33,383,352	
Accumulated depreciation:	<u>(12,721,621)</u>	
Net:		20,661,731

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 unmatu- red interest owing at the end of the period was:	(136,911)
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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	9,284,891	
Compensated absences payable	286,073	
Net OPEB obligation	767,104	
Certificates of Participation	4,720,000	
Capital leases payable	<u>858,853</u>	
Total:		<u>(15,916,921)</u>

Net assets of governmental activities - statement of net assets	\$	<u>11,645,847</u>
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The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 6,340,346	\$ -	\$ -	\$ 6,340,346
Local Sources	3,675,334	-	-	3,675,334
Federal Revenue	1,470,830	194,103	231,449	1,896,382
Other State Revenue	2,381,094	-	28,140	2,409,234
Other Local Revenue	1,890,481	524	1,041,555	2,932,560
Total Revenues	<u>15,758,085</u>	<u>194,627</u>	<u>1,301,144</u>	<u>17,253,856</u>
Expenditures:				
Instruction	10,662,931	-	-	10,662,931
Instruction - Related Services	1,366,003	-	-	1,366,003
Pupil Services	1,211,202	-	581,228	1,792,430
Community Services	217,824	-	-	217,824
General Administration	918,105	-	7,535	925,640
Plant Services	1,228,306	499,034	13,941	1,741,281
Debt Service:				
Principal	84,371	-	420,000	504,371
Interest	41,810	236,116	111,174	389,100
Total Expenditures	<u>15,730,552</u>	<u>735,150</u>	<u>1,133,878</u>	<u>17,599,580</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>27,533</u>	<u>(540,523)</u>	<u>167,266</u>	<u>(345,724)</u>
Other Financing Sources (Uses):				
Other Sources	-	4,720,000	2,662	4,722,662
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,720,000</u>	<u>2,662</u>	<u>4,722,662</u>
Net Change in Fund Balance	27,533	4,179,477	169,928	4,376,938
Fund Balance, July 1	2,026,314	-	634,696	2,661,010
Fund Balance, June 30	<u>\$ 2,053,847</u>	<u>\$ 4,179,477</u>	<u>\$ 804,624</u>	<u>\$ 7,037,948</u>

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ 4,376,938

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

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

Expenditures for capital outlay	-	
Depreciation expense	(874,127)	
Net:		(874,127)

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: 3,414,370

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (8,050,500)

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	275,500	
Issue costs amortized	-	
Net		275,500

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: (48,428)

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: (236,382)

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: (61,993)

Change in net assets of governmental activities - statement of activities \$ (1,204,622)

The accompanying notes are an integral part of this statement.

ALPINE UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 60,386
Total Assets	<u>\$ 60,386</u>
LIABILITIES:	
Due to Student Groups	\$ 60,386
Total Liabilities	<u>\$ 60,386</u>
NET ASSETS:	
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, 2011

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, 2011

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.

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.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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	3-15
Office Equipment	3-15
Computer Equipment	3-15

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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, 2011

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 services 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, 2011

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 (\$1,656,081 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,656,081. 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 (\$85,701 as of June 30, 2011) 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, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Money Market Funds	\$ 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. At year end, the District was not exposed to credit risk.

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, 2011

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

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, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Federal Government:				
Federal programs	\$ 460,976	\$ 25,043	-	\$ 486,019
State Government:				
Lottery	137,438	-	-	137,438
Revenue Limit	1,907,893	-	-	1,907,893
Other state programs	414,074	1,728	-	415,802
Local Sources:				
Interest	3,100	48	43	3,191
Other local sources	5,942	330	-	6,272
Totals	<u>\$ 2,929,423</u>	<u>\$ 27,149</u>	<u>\$ 43</u>	<u>\$ 2,956,615</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

E. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	22,727,953	-	-	22,727,953
Improvements	7,621,382	-	-	7,621,382
Equipment	896,991	-	-	896,991
Total capital assets being depreciated	<u>31,246,326</u>	<u>-</u>	<u>-</u>	<u>31,246,326</u>
Less accumulated depreciation for:				
Buildings	(7,241,248)	(524,674)	-	(7,765,922)
Improvements	(3,806,444)	(331,678)	-	(4,138,122)
Equipment	(799,802)	(17,775)	-	(817,577)
Total accumulated depreciation	<u>(11,847,494)</u>	<u>(874,127)</u>	<u>-</u>	<u>(12,721,621)</u>
Total capital assets being depreciated, net	<u>19,398,832</u>	<u>(874,127)</u>	<u>-</u>	<u>18,524,705</u>
Governmental activities capital assets, net	<u>\$ 21,535,858</u>	<u>\$ (874,127)</u>	<u>\$ -</u>	<u>\$ 20,661,731</u>

Depreciation was charged to functions as follows:

Instruction	\$ 848,502
Instruction-Related Services	950
Pupil Services	20,204
Plant Services	4,471
	<u>\$ 874,127</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2011 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Cafeteria Fund	\$ 15,480
	Total	<u>\$ 15,480</u>

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

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.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ -	\$ 671,005	\$ 671,005	\$ -

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

H. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Vendor payables	\$ 74,688	\$ 13,078	\$ -	\$ 87,766
Payroll and related benefits	157,025	2,310	-	159,335
Other	-	-	66,701	66,701
Totals	<u>\$ 231,713</u>	<u>\$ 15,388</u>	<u>\$ 66,701</u>	<u>\$ 313,802</u>

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, 2011 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,559,891	\$ 3,055,000	\$ 3,330,000	\$ 9,284,891	\$ 590,000
Capital leases	943,223	-	84,370	858,853	89,240
Net OPEB obligations	530,722	236,382	-	767,104	-
Certificates of participation	-	4,720,000	-	4,720,000	-
Compensated absences *	224,080	61,993	-	286,073	286,073
Total governmental activities	<u>\$ 11,257,916</u>	<u>\$ 8,073,375</u>	<u>\$ 3,414,370</u>	<u>\$ 15,916,921</u>	<u>\$ 965,313</u>

* Other long-term liabilities

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation and net OPEB obligation, at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 965,313	\$ 100,126	\$ 1,065,439
2013	690,044	99,879	789,923
2014	720,814	138,882	859,696
2015	801,002	125,844	926,846
2016	1,070,787	436,444	1,507,231
2017-2021	3,286,839	6,335,286	9,622,125
2022-2026	2,895,118	8,989,154	11,884,272
Totals	<u>\$ 10,429,917</u>	<u>\$ 16,225,615</u>	<u>\$ 26,655,532</u>

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2011 are as follows:

<u>Year Ending June 30:</u>		
2012	\$	126,181
2013		115,128
2014		114,781
2015		114,781
2016		114,781
2017-2021		427,124
2022-2026		65,852
Total Minimum Lease Payments	\$	1,078,628
Less: Interest		(219,775)
Net Minimum Lease Payments	\$	<u>858,853</u>

4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$	\$ 287,002	\$ 287,002
2013		287,002	287,002
2014	315,000	287,002	602,002
2015	330,000	284,068	614,068
2016	330,000	267,856	597,856
2017-2021	1,655,000	1,055,990	2,710,990
2022-2026	1,725,000	506,626	2,231,626
2027-2031	365,000	26,755	391,755
Totals	\$ <u>4,720,000</u>	\$ <u>3,002,301</u>	\$ <u>7,722,301</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, 2011 is as follows:

Total Assets	\$	151,407
Total Liabilities		20,261
Total Fund Balance		131,146
Total Cash Receipts		121,974
Total Cash Disbursements		89,344
Net Change in Fund Balance		32,630

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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 2010-11 was 10.707% 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, 2011, 2010 and 2009 were \$215,565, \$208,977 and \$209,277, 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 2010-11 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, 2011, 2010 and 2009 were \$638,958, \$882,486 and \$717,388, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$332,585.

ALPINE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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 175 eligible active employees and 19 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 2010-11, the District contributed \$134,633 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	\$ 371,015
Contribution made	<u>(134,633)</u>
Increase in net OPEB obligation	236,382
Net OPEB obligation, beginning of year	<u>530,722</u>
Net OPEB obligation, end of year	<u><u>\$ 767,104</u></u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 371,015	36%	\$ 767,104

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, 2011

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, 2008 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. Construction Commitments

As of June 30, 2011 the District had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Construction in Process:		
Joan MacQueen Middle School-Exterior Rehabilitation	\$ 309,500	August 2011
All School Sites-Energy Savings Project	2,794,924	December 2011

* Expected date of final completion subject to change

O. Subsequent Events

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 will be repaid in two installments in January 2012 and April 2012. The notes were sold to supplement the District's cash flows and bear interest at a rate of 1.47%.

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 5,676,363	\$ 6,245,241	\$ 6,340,346	\$ 95,105
Local Sources	3,843,090	3,805,943	3,675,334	(130,609)
Federal Revenue	977,395	1,485,984	1,470,830	(15,154)
Other State Revenue	2,004,823	2,334,604	2,381,094	46,490
Other Local Revenue	1,785,000	1,908,967	1,890,481	(18,486)
Total Revenues	<u>14,286,671</u>	<u>15,780,739</u>	<u>15,758,085</u>	<u>(22,654)</u>
Expenditures:				
Current:				
Certificated Salaries	7,460,002	7,822,125	7,788,863	33,262
Classified Salaries	2,584,369	2,620,471	2,576,971	43,500
Employee Benefits	3,165,428	3,415,574	3,399,051	16,523
Books And Supplies	583,551	631,533	573,042	58,491
Services And Other Operating Expenditures	1,146,873	1,300,118	1,266,444	33,674
Debt Service:				
Principal	84,371	84,371	84,371	-
Interest	41,810	41,810	41,810	-
Total Expenditures	<u>15,066,404</u>	<u>15,916,002</u>	<u>15,730,552</u>	<u>185,450</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(779,733)</u>	<u>(135,263)</u>	<u>27,533</u>	<u>162,796</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(779,733)</u>	<u>(135,263)</u>	<u>27,533</u>	<u>162,796</u>
Fund Balance, July 1	2,026,314	2,026,314	2,026,314	-
Fund Balance, June 30	<u>\$ 1,246,581</u>	<u>\$ 1,891,051</u>	<u>\$ 2,053,847</u>	<u>\$ 162,796</u>

ALPINE UNION SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN
YEAR ENDED JUNE 30, 2011

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)
6/30/09	\$ -	\$ 2,653,000	\$ 2,653,000	-	\$ 11,971,436	22.2%
6/30/10	-	2,653,000	2,653,000	-	10,100,000	26.3%
6/30/11	-	2,653,000	2,653,000	-	10,442,596	25.4%

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, 2011

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
	Cafeteria Fund	Bond Interest & Redemption	Capital Facilities Fund	
ASSETS:				
Cash in County Treasury	\$ 33,565	\$ 729,518	\$ 29,995	\$ 793,078
Cash on Hand and in Banks	5,331	-	597	5,928
Accounts Receivable	27,149	-	43	27,192
Stores Inventories	10,949	-	-	10,949
Total Assets	\$ 76,994	\$ 729,518	\$ 30,635	\$ 837,147
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 15,388	\$ -	\$ 1,655	\$ 17,043
Due to Other Funds	15,480	-	-	15,480
Total Liabilities	30,868	-	1,655	32,523
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	10,949	-	-	10,949
Restricted Fund Balances	35,177	-	-	35,177
Assigned Fund Balances	-	729,518	28,980	758,498
Total Fund Balance	46,126	729,518	28,980	804,624
Total Liabilities and Fund Balances	\$ 76,994	\$ 729,518	\$ 30,635	\$ 837,147

ALPINE UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
	Cafeteria Fund	Bond Interest & Redemption	Capital Facilities Fund	
Revenues:				
Federal Revenue	\$ 231,449	\$ -	\$ -	\$ 231,449
Other State Revenue	20,344	7,796	-	28,140
Other Local Revenue	350,035	660,802	30,718	1,041,555
Total Revenues	<u>601,828</u>	<u>668,598</u>	<u>30,718</u>	<u>1,301,144</u>
Expenditures:				
Pupil Services	581,228	-	-	581,228
General Administration	-	-	7,535	7,535
Plant Services	13,941	-	-	13,941
Debt Service:				
Principal	-	420,000	-	420,000
Interest	-	111,174	-	111,174
Total Expenditures	<u>595,169</u>	<u>531,174</u>	<u>7,535</u>	<u>1,133,878</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,659</u>	<u>137,424</u>	<u>23,183</u>	<u>167,266</u>
Other Financing Sources (Uses):				
Other Sources	-	2,662	-	2,662
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,662</u>	<u>-</u>	<u>2,662</u>
Net Change in Fund Balance	6,659	140,086	23,183	169,928
Fund Balance, July 1	39,467	589,432	5,797	634,696
Fund Balance, June 30	<u>\$ 46,126</u>	<u>\$ 729,518</u>	<u>\$ 28,980</u>	<u>\$ 804,624</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, 2011

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

Administration

Tom Pellegrino
 Superintendent

Deann Jeffreys
 Director of Human
 Resources and
 Pupil Services

Rob Turner
 Business Manager

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2011

TABLE D-1

	Second Period Report *		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	252.00	252.00	255.93	255.93
Grades 1 through 3	548.04	548.04	548.93	548.93
Grades 4 through 6	669.09	669.09	669.00	669.00
Grades 7 and 8	455.27	455.27	452.11	452.11
Home and hospital	0.07	0.07	0.12	0.12
Community day school	1.36	1.36	2.01	2.01
Special education	39.39	39.39	36.75	38.82
Elementary totals	<u>1,965.22</u>	<u>1,965.22</u>	<u>1,964.85</u>	<u>1,966.92</u>
ADA totals	<u>1,965.22</u>	<u>1,965.22</u>	<u>1,964.85</u>	<u>1,966.92</u>

* There were no revisions to the P2 attendance report as originally filed.

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, 2011

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted & Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted & Reduced</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	34,290	33,338	36,000	35,000	38,775	175	-	Complied
Grade 1	50,725	49,316	50,400	49,000	50,350	175	-	Complied
Grade 2	50,725	49,316	50,400	49,000	50,350	175	-	Complied
Grade 3	50,725	49,316	50,400	49,000	50,350	175	-	Complied
Grade 4	53,320	51,839	54,000	52,500	52,675	175	-	Complied
Grade 5	53,897	51,839	54,000	52,500	52,675	175	-	Complied
Grade 6	58,322	56,702	54,000	52,500	57,924	175	-	Complied
Grade 7	58,322	56,702	54,000	52,500	57,924	175	-	Complied
Grade 8	58,322	56,702	54,000	52,500	57,924	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, 2011

TABLE D-3

General Fund	Budget 2012 (See Note 1)	2011	2010	2009
Revenues and other financial sources	\$ 13,964,650	\$ 15,758,085	\$ 16,066,431	\$ 19,035,428
Expenditures, other uses and transfers out	14,581,903	15,730,552	16,427,568	18,626,235
Change in fund balance (deficit)	(617,253)	27,533	(361,137)	409,193
Ending fund balance	\$ 1,436,594	\$ 2,053,847	\$ 2,026,314	\$ 2,387,451
Available reserves	\$ 1,412,984	\$ 2,023,948	\$ 1,735,170	\$ 1,656,430
Available reserves as a percentage of total outgo (See Note 2)	9.7%	12.8%	10.8%	8.9%
Total long-term debt	\$ 14,806,608	\$ 15,771,921	\$ 11,257,916	\$ 11,420,505
Average daily attendance at P-2	1,940	1,965	1,975	1,996

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 fund balance has increased by \$75,588 over the past three years. The fiscal year 2011-2012 budget projects a decrease of \$617,253. For a district of this size, the State recommends available reserves of at least 1% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$4,259,796 over the past three years.

Average daily attendance (ADA) has decreased by 110 over the past three years.

Notes:

- 1 Budget 2012 is included for analytical purposes only and has not been subjected to audit.
- 2 On behalf payments have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011, 2010, and 2009.

ALPINE UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

TABLE D-4

	Schedule of Long-Term Liabilities
June 30, 2011, annual financial and budget report total liabilities	<u>\$ 15,771,921</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
General obligation bonds payable understatement	<u>145,000</u>
June 30, 2011, audited financial statement total liabilities	<u>\$ 15,916,921</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, 2011

TABLE D-5

No charter schools are chartered by Alpine Union School District.

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

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

TABLE D-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE TREASURY</u>			
Direct Program:			
ARRA - Build America Bonds	21.000	-	\$ 194,103
Total U. S. Department of the Treasury			<u>194,103</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Impact Aid - P.L. 81.874 *	84.041	-	59,228
Passed Through Grossmont Union High School District:			
Workability	84.158	10006	22,756
Passed Through State Department of Education:			
Title I *	84.010	14329	184,342
Special Education *	84.027	13379	352,897
Preschool Local *	84.027A	13682	43,420
Indian Education	84.060	10011	13,538
Preschool Grant *	84.173	13430	24,354
Special Education Preschool Staff Development *	84.173A	13431	374
Emergency Response and Crisis Management	84.184E	13453	149
Title IV - Safe and Drug Free Schools	84.186	14347	8,393
Title II EETT *	84.318	14334	10,225
Title III - LEP	84.365	10084	8,602
Title II - Teacher Quality	84.367	14341	100,557
Title II Administrator Training	84.367	14344	1,500
ARRA - Title II EETT *	84.386	15019	3,463
ARRA - Title I *	84.389	15005	46,474
ARRA - Special Education *	84.391	15003	108,723
ARRA - Preschool *	84.392	15000	6,838
ARRA - State Fiscal Stabilization Fund *	84.394	24997	344,866
ARRA - Education Jobs Fund	84.410	25152	368,103
Education Technology K-12 Voucher Program	N/A	10108	15,802
Total Passed Through State Department of Education			<u>1,642,620</u>
Total U. S. Department of Education			<u>1,724,604</u>

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

TABLE D-6
Page 2 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	231,448
Total U. S. Department of Agriculture			231,448
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,150,155

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

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, 2011

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 Avenue
El Cajon, California 92020

Independent Auditor's Report

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, 2011, which collectively comprise the Alpine Union School District's basic financial statements and have issued our report thereon dated December 1, 2011. 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

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*.

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.

WELLSMAN HOLLY KING & CO. LLP

El Cajon, California
December 1, 2011

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

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, 2011. 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, 2011.

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.

Wilbur Smith, Holly King & Co. LLP
El Cajon, California
December 1, 2011

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report

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, 2011 and have issued our report thereon dated December 1, 2011. 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 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. 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	8	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

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	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	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	3	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, 2011.

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.

William Nady King

El Cajon, California
December 1, 2011

Findings and Recommendations Section

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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 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>
10.555	National School Lunch Program
84.394	ARRA-State Fiscal Stabilization Fund
84.410	ARRA-Education Jobs Fund
84.010, 84.389	Title I Cluster

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

Auditee qualified as low-risk auditee? Yes X No

ALPINE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

3. State Awards

Internal control over state programs:

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

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

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, 2011

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p data-bbox="152 390 431 415">Finding 2010-1 (50000)</p> <p data-bbox="152 422 553 447">Interest Earned on Federal Funds</p> <p data-bbox="152 485 837 642">In our review of the major federal programs selected for compliance testing, we noted that the District had not calculated interest earned on ARRA federal funds and submitted the quarterly payments to the pass through agency.</p> <p data-bbox="152 680 837 863">Calculate the interest earned on ARRA funds for the fiscal year based on a daily cash basis and submit the amount calculated less the allowed retention to the California Department of Education. In future periods calculate the interest earned on a quarterly basis and submit in a timely manner.</p>	Implemented	
<p data-bbox="152 905 431 930">Finding 2010-2 (40000)</p> <p data-bbox="152 936 415 961">Instructional Materials</p> <p data-bbox="152 999 837 1157">In our review of the state compliance testing related to instructional materials, we noted that the public hearing for the 2009-10 year was held in October 2009, which was after the eighth week from the first day of school for the 2009-10 fiscal year.</p> <p data-bbox="152 1194 837 1627">We recommend the District submit an acceptable plan of correction to the San Diego County Office of Education. If the County Office reviews the exception and determines the exception has been corrected, no additional steps are necessary. The County Office will provide and submit a Certification of Corrective Action Resolution of 2009-10 Audit Finding form to the California Department of Education. Pursuant to Education Code Section 41344.4, LEA's are not required to repay audit exceptions related to reporting requirements for the sufficiency of textbooks and instructional materials if the County Office accepted the LEA's correction or plan of correction and certifies the finding was resolved.</p>		Implemented