

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
COUNTY OF ALPINE
MARKLEEVILLE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2019

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

JUNE 30, 2019

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ALPINE COUNTY UNIFIED SCHOOL DISTRICT

JUNE 30, 2019

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Alpine County Unified School District
Markleeville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine County Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine County Unified School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of the proportionate share of the net pension liabilities, and schedules of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alpine County Unified School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the Alpine County Unified 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 solely 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 the effectiveness of the Alpine County Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpine County Unified School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2019

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Alpine County Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- Fiscal year 2018-19 is the fifth year the District has been required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- Fiscal year 2018-19 is the sixth year the District has received funding that is based on the new Local Control Funding Formula (LCFF). However, due to the current level of allocated property tax revenues, the District continues to be funded under the Basic Aid Provision.
- The District's overall financial status declined during the course of the year as total net position decreased 5.3%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$298,589.
- Net capital assets increased \$632,720, due to the current year addition of \$775,117 of new capital assets and improvements, and the current year recognition of \$142,397 of depreciation expense.
- Total long-term liabilities increased \$2,268,539, due primarily to the issuance of general obligation bonds of \$2,300,000 during the 2018-19 fiscal year.
- The District's P-2 average daily attendance (ADA) increased from 74 ADA in fiscal year 2017-18 up to 75 ADA in fiscal year 2018-19, an increase of 1 ADA or 1.4%.
- The District's General Fund incurred an operating deficit of \$423,844 during fiscal year 2018-19 and recognized a \$220,214 decrease in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2018-19, total General Fund expenditures and other financing uses totaled \$3,725,961. At June 30, 2019, the District had available reserves of \$3,829,525 in the General Fund which represents a reserve of 102.8%.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities all amounts presented represent governmental activities, since the District does not provide any services that should be categorized as business-type activities.

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes. Non-basic services, such as child nutrition and adult education are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Alpine County Unified School District are the General Fund, Building Fund, and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position decreased from \$5,583,162 at June 30, 2018, down to \$5,284,573 at June 30, 2019, a decrease of 5.3%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2018	2019
<u>Assets</u>		
Deposits and Investments	\$ 5,879,402	\$ 7,543,841
Receivables	80,547	170,356
Note Receivable	85,508	21,912
Prepaid Expenses	25,996	18,714
Capital Assets, net	1,753,177	2,385,897
Total Assets	7,824,630	10,140,720
<u>Deferred Outflow of Resources</u>		
Pension Deferrals	892,194	794,304
<u>Liabilities</u>		
Current	274,804	233,076
Long-Term	2,714,180	4,986,863
Total Liabilities	2,988,984	5,219,939
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	264,806	430,512
<u>Net Position</u>		
Net Investment in Capital Assets	1,753,177	1,661,786
Restricted	414,599	610,031
Unrestricted*	3,415,386	3,012,756
Total Net Position*	\$ 5,583,162	\$ 5,284,573
* The amounts presented for fiscal year 2017-18 have been adjusted to reflect the restatement discussed in Note 16.		
Table includes financial data of the combined governmental funds		

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$298,589.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2019</u>
<u>Program Revenues</u>		
Charges for Services	\$ 631	\$ 661
Operating Grants & Contributions	533,821	607,300
<u>General Revenues</u>		
Taxes Levied	1,416,305	1,437,363
Federal & State Aid	884,911	1,054,154
Interest & Investment Earnings	64,314	106,501
Other Revenues	193,178	178,183
Total Revenues	<u>3,093,160</u>	<u>3,384,162</u>
<u>Expenses</u>		
Instruction	1,319,117	1,545,997
Instruction-Related Services	467,795	499,368
Pupil Services	303,502	443,927
General Administration	645,324	724,919
Plant Services	300,239	301,006
Other Expenses	15,459	167,534
Total Expenses	<u>3,051,436</u>	<u>3,682,751</u>
Changes in Net Position	<u>\$ 41,724</u>	<u>\$ (298,589)</u>

Table includes financial data of the combined governmental funds

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

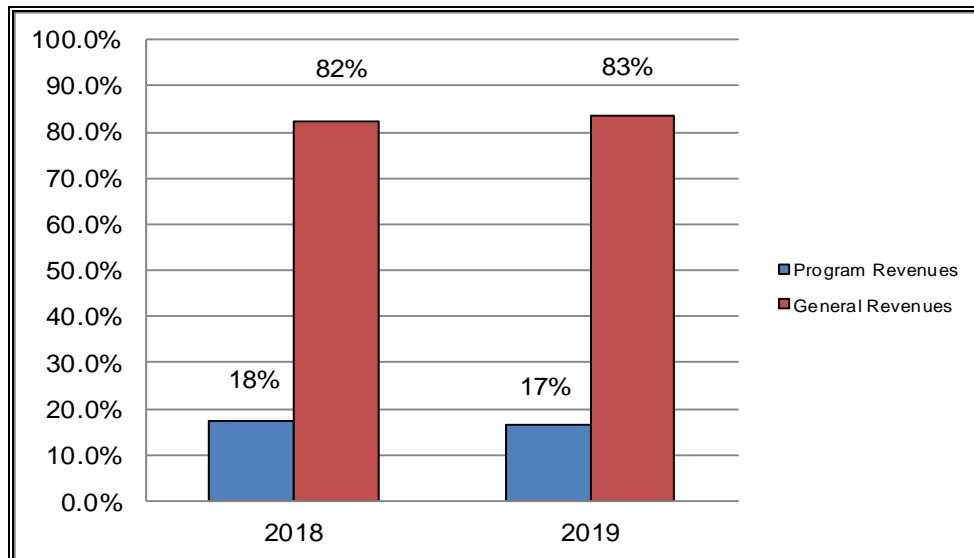
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2018	2019	2018	2019
Instruction	\$ 1,319,117	\$ 1,545,997	\$ 980,808	\$ 1,182,922
Instruction-Related Services	467,795	499,368	443,874	469,677
Pupil Services	303,502	443,927	198,509	339,343
General Administration	645,324	724,919	603,175	671,555
Plant Services	300,239	301,006	281,546	209,914
Other Expenses	15,459	167,534	9,072	201,379
Totals	<u>\$ 3,051,436</u>	<u>\$ 3,682,751</u>	<u>\$ 2,516,984</u>	<u>\$ 3,074,790</u>

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$3,074,790 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2018-19, program revenues financed 17% of the total cost of providing the services listed above, while the remaining 83% was financed by the general revenues of the District.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

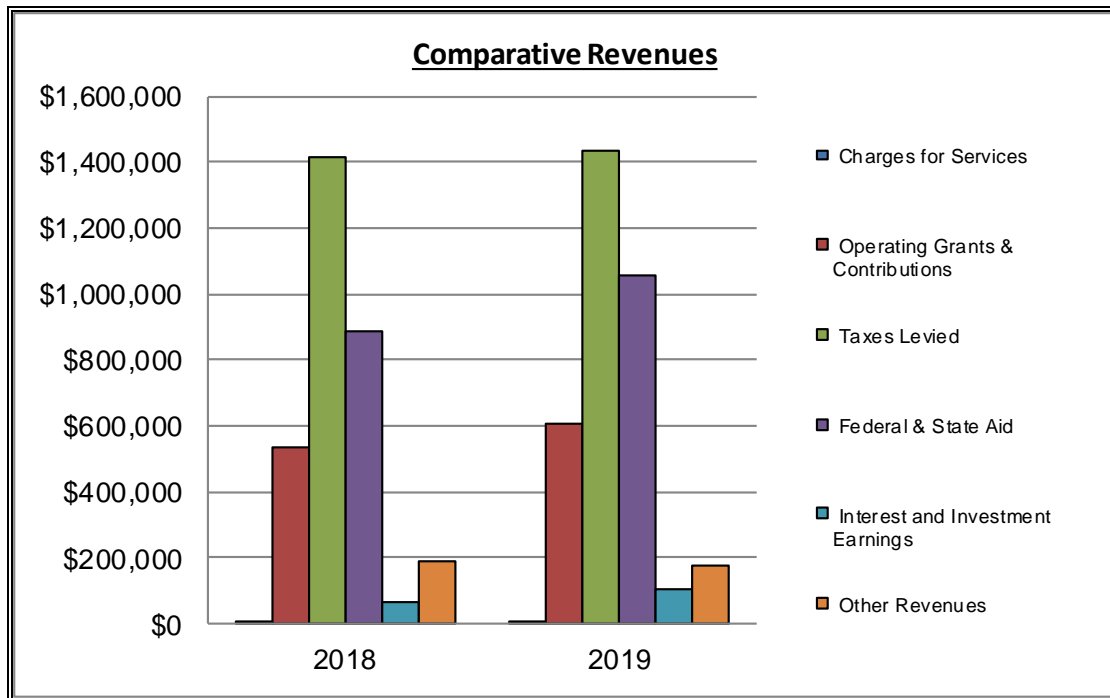
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Revenues For Governmental Functions

	FYE 2018 Amount	Percent of Total	FYE 2019 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 631	0.02%	\$ 661	0.02%
Operating Grants & Contributions	533,821	17.26%	607,300	17.95%
<u>General Revenues</u>				
Taxes Levied	1,416,305	45.79%	1,437,363	42.47%
Federal & State Aid	884,911	28.61%	1,054,154	31.15%
Interest & Investment Earnings	64,314	2.08%	106,501	3.15%
Other Revenues	193,178	6.25%	178,183	5.27%
Total Revenues	<u>\$ 3,093,160</u>	<u>100.00%</u>	<u>\$ 3,384,162</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

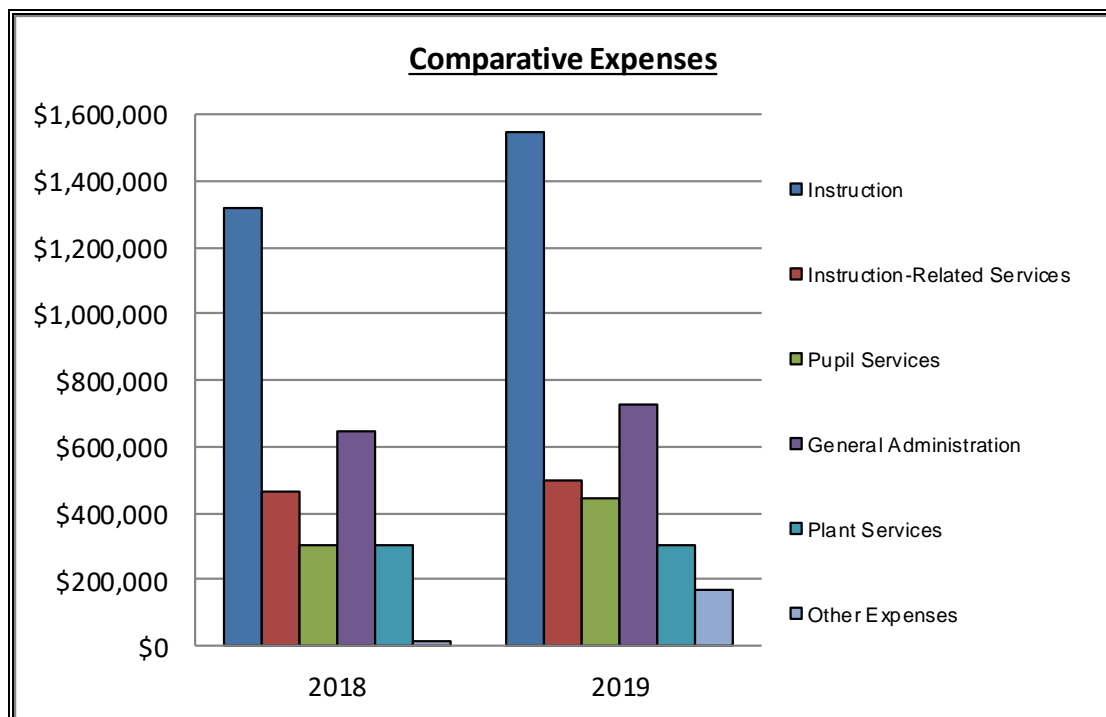
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2018 Amount</u>	<u>Percent of Total</u>	<u>FYE 2019 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 1,319,117	43.23%	\$ 1,545,997	41.98%
Instruction-Related Services	467,795	15.33%	499,368	13.56%
Pupil Services	303,502	9.95%	443,927	12.05%
General Administration	645,324	21.15%	724,919	19.68%
Plant Services	300,239	9.84%	301,006	8.17%
Other Expenses	15,459	0.51%	167,534	4.55%
Total Expenses	\$ 3,051,436	100.00%	\$ 3,682,751	100.00%

Table includes financial data of the combined governmental funds



**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2018	2019
Land	\$ 140,370	\$ 140,370
Sites and Improvements	758,945	791,245
Buildings and Improvements	2,743,173	2,846,544
Furniture and Equipment	934,232	981,208
Construction-in-Progress	109,285	701,755
Subtotals	4,686,005	5,461,122
Less: Accumulated Depreciation	(2,932,828)	(3,075,225)
Capital Assets, net	<u>\$ 1,753,177</u>	<u>\$ 2,385,897</u>

Net capital assets increased \$632,720, due to the current year addition of \$775,117 of new capital assets and improvements, and the current year recognition of \$142,397 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2018	2019
Compensated Absences	\$ 52,561	\$ 40,874
General Obligation Bonds	0	2,526,915
Net Pension Liabilities	2,714,180	2,467,491
Totals	<u>\$ 2,766,741</u>	<u>\$ 5,035,280</u>

The general obligation bonds are financed by the local taxpayers and represent 50% of the District's total long-term liabilities, and the net pension liabilities represent 49%. The District has satisfied all debt service requirements on its bonded debt and continues to maintain an excellent credit rating on its debt issue. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The fund balance of the General Fund decreased \$423,844 and the combined fund balances of all other District governmental funds increased \$2,040,612, due primarily to unspent bond proceeds in the Building Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is expected to maintain its basic aid (community funded) status during fiscal year 2019-20. As a result, any increase in student enrollment will likely reduce per pupil funding, while any decrease in average daily attendance will likely increase per pupil funding.

Fiscal year 2019-20 will be the seventh year of the projected eight-year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there will be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact the District Office, Alpine County Unified School District, 43 Hawkside Drive, Markleeville, California 96120.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 7,543,841
Receivables (Note 3)	170,356
Note Receivable (Note 4)	21,912
Prepaid Expenses (Note 1H)	18,714
Capital Assets, Not Depreciated (Note 6)	842,125
Capital Assets, Net of Accumulated Depreciation	1,543,772
Total Assets	<u>10,140,720</u>
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 8)	<u>794,304</u>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	168,717
Accrued Interest Payable	15,942
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	40,874
General Obligation Bonds (Note 7)	7,543
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	2,519,372
Net Pension Liabilities (Note 8)	2,467,491
Total Liabilities	<u>5,219,939</u>
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 8)	<u>430,512</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,661,786
Restricted:	
For Capital Projects	166,392
For Debt Service	212,230
For Educational Programs	202,695
For Other Purposes	28,714
Unrestricted	<u>3,012,756</u>
Total Net Position	<u><u>\$ 5,284,573</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

					Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					
Instruction	\$ 1,545,997		\$ 363,075		\$ (1,182,922)
Instruction-Related Services:					
Instructional Library and Technology	294,573		18,648		(275,925)
School Site Administration	204,795		11,043		(193,752)
Pupil Services:					
Home-to-School Transportation	242,357		6,237		(236,120)
Food Services	100,067	\$ 661	52,761		(46,645)
Other Pupil Services	101,503		44,925		(56,578)
General Administration:					
Data Processing Services	1,212				(1,212)
Other General Administration	723,707		53,364		(670,343)
Plant Services	301,006		91,092		(209,914)
Ancillary Services	13,575		1,462		(12,113)
Interest on Long-Term Debt	14,685				(14,685)
Other Outgo	139,274		(35,307)		(174,581)
Total Governmental Activities	<u>\$ 3,682,751</u>	<u>\$ 661</u>	<u>\$ 607,300</u>	<u>\$ 0</u>	<u>(3,074,790)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					1,437,363
Federal and State Aid - Unrestricted					1,054,154
Interest and Investment Earnings					106,501
Transfers from Other Agencies					99,171
Miscellaneous					79,012
Total General Revenues					<u>2,776,201</u>
Change in Net Position					(298,589)
Net Position - July 1, 2018 (As Restated - Note 16)					<u>5,583,162</u>
Net Position - June 30, 2019					\$ 5,284,573

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Building	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 3,949,692	\$ 1,810,715	\$ 1,088,331	\$ 695,103	\$ 7,543,841
Receivables (Note 3)	156,796			13,560	170,356
Note Receivable (Note 4)			21,912		21,912
Due from Other Funds (Note 5)				10,405	10,405
Prepaid Expenditures (Note 1H)	18,714				18,714
Total Assets	<u>\$ 4,125,202</u>	<u>\$ 1,810,715</u>	<u>\$ 1,110,243</u>	<u>\$ 719,068</u>	<u>\$ 7,765,228</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 146,800	\$ 7,911	\$ 13,868	\$ 138	\$ 168,717
Due to Other Funds (Note 5)	10,405				10,405
Total Liabilities	<u>157,205</u>	<u>7,911</u>	<u>13,868</u>	<u>138</u>	<u>179,122</u>
Fund Balances: (Note 10)					
Nonspendable	28,714				28,714
Restricted	93,785	1,802,804		503,474	2,400,063
Committed				215,456	215,456
Assigned	15,973		1,096,375		1,112,348
Unassigned	3,829,525				3,829,525
Total Fund Balances	<u>3,967,997</u>	<u>1,802,804</u>	<u>1,096,375</u>	<u>718,930</u>	<u>7,586,106</u>
Total Liabilities and Fund Balances	<u>\$ 4,125,202</u>	<u>\$ 1,810,715</u>	<u>\$ 1,110,243</u>	<u>\$ 719,068</u>	<u>\$ 7,765,228</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds	\$	7,586,106
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Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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

Capital Assets	\$ 5,461,122	
Accumulated Depreciation	(3,075,225)	
Net		2,385,897

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. The net of deferred outflows and inflows was:

363,792

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	40,874	
General Obligation Bonds	2,526,915	
Net Pension Liabilities	2,467,491	
		(5,035,280)

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

(15,942)

Total Net Position - Governmental Activities	\$	5,284,573
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**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General	Building	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 463,567			\$ 33,485	\$ 497,052
Local Taxes	1,437,363				1,437,363
Total LCFF Sources	1,900,930			33,485	1,934,415
Federal Revenue	590,726			49,912	640,638
State Revenue	364,008		\$ 52,423	17,065	433,496
Local Revenue	339,976		23,860	11,777	375,613
Total Revenues	3,195,640		76,283	112,239	3,384,162
<u>Expenditures</u>					
Current:					
Instruction	1,471,880			28,648	1,500,528
Instructional Library and Technology	267,907				267,907
School Site Administration	198,187			556	198,743
Home-To-School Transportation	270,815				270,815
Food Services	571			92,759	93,330
Other Pupil Services	99,524				99,524
Data Processing Services	1,163				1,163
Other General Administration	687,314	\$ 2,316		4,915	694,545
Plant Services	254,252		13,112	18,804	286,168
Facilities Acquisition and Construction	364,841	249,129	100,939	6,316	721,225
Ancillary Services	22,344				22,344
Debt Service:					
Interest and Issuance Costs		139,274			139,274
Total Expenditures	3,638,798	390,719	114,051	151,998	4,295,566
Excess of Revenues					
(Under) Expenditures	(443,158)	(390,719)	(37,768)	(39,759)	(911,404)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	106,477		45,645	41,518	193,640
Operating Transfers Out	(87,163)	(106,477)			(193,640)
Other Sources		2,300,000		228,172	2,528,172
Total Other Financing Sources (Uses)	19,314	2,193,523	45,645	269,690	2,528,172
Net Change in Fund Balances	(423,844)	1,802,804	7,877	229,931	1,616,768
Fund Balances - July 1, 2018 (As Restated - Note 16)	4,391,841	0	1,088,498	488,999	5,969,338
Fund Balances - June 30, 2019	\$ 3,967,997	\$ 1,802,804	\$ 1,096,375	\$ 718,930	\$ 7,586,106

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds	\$ 1,616,768
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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 useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlays	\$	775,117	
Depreciation Expense		(142,397)	
Net			632,720

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 were:

(2,528,172)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was:

11,687

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,257

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual-basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(16,907)

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, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:

(15,942)

Change in Net Position of Governmental Activities	\$ (298,589)
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ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Alpine County Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in Alpine County. The District was established in 1964 and serves students in kindergarten through grade twelve.

The 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Alpine County Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units, when applicable. The effect of interfund activity within the governmental activities column has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases and decreases in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following governmental fund types:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major and non-major funds as follows:

Major Governmental Funds:

The *General Fund* is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from bond proceeds.

The *Capital Projects - Special Reserve Fund* was established to account for financial resources received and expenditures made to complete major facilities modifications.

Non-major Governmental Funds:

The *Deferred Maintenance Fund* is used for the purpose of major repairs or replacement of District property.

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Non-major Governmental Funds (Concluded):

The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.

The *Bond Interest and Redemption Fund* is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 51.

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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 at June 30.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The 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 the FDIC or are collateralized.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Reported prepaid expenses/expenditures are equally offset by a reserve, which indicates that these amounts are not available for appropriation.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

3. Capital Assets (Concluded)

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20-30
Buildings and Improvements	25-50
Furniture and Equipment	5-20

4. Deferred Outflows/Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. The District had no balance as of June 30, 2019.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

7. Pensions (Concluded)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums and issue discounts are deferred and amortized over the life of the bonds, when material. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the year of issuance. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Fund Balances

The governmental fund financial statements present each fund balance based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Business Manager has been given this authority.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Fund Balances (Concluded)

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a Reserve for Economic Uncertainties of at least 50% of the General Fund's annual total expenditures and other financing uses. In the event that the fund balance drops below 50%, it shall be recovered at a rate of no less than 1% each year.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

10. Local Control Funding Formula (LCFF)/Property Tax

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Alpine is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Local Control Funding Formula (LCFF)/Property Tax (Concluded)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

Since the amount of property taxes received by the District exceeds the amount of the LCFF transition entitlement, the District is considered to be a "basic aid" school district, and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion \$120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

Cash on Hand and in Banks	\$ 50
Cash in Revolving Fund	10,000
County Pool Investments	<u>7,533,791</u>
Total	<u><u>\$ 7,543,841</u></u>

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in Revolving Fund consists of cash held by the District in a commercial bank account that is used as a revolving fund.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

County Pool Investments

County pool investments consist of District cash held by the Alpine County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorization

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Fund / Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Alpine County Investment Pool.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Years to Maturity</u>
County Pool Investments	\$ 7,533,791	\$ 7,616,369	1.84

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alpine County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 7,616,369	\$ 7,616,369

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2019 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 48,376	\$ 12,659	\$ 61,035
State Government	3,943	901	4,844
Local Governments	94,816		94,816
Miscellaneous	9,661		9,661
Totals	<u>\$ 156,796</u>	<u>\$ 13,560</u>	<u>\$ 170,356</u>

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - NOTE RECEIVABLE

During fiscal year 2003-04, the District loaned the Alpine County Office of Education \$700,000 to purchase property to be used to operate the Alpine Early Learning Center. Future payments to be received under this note, as of June 30, 2019, are as follows:

<u>Year Ended June 30</u>	<u>Note Receivable</u>
2020	\$ 22,142
Less amount representing interest	<u>(230)</u>
Present value of loan payments receivable	<u><u>\$ 21,912</u></u>

NOTE 5 - INTERFUND ACTIVITIES

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. 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. 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.

A. Due From/Due To Other Funds

General Fund due to Deferred Maintenance Fund for mis-classified expenditures charged to Deferred Maintenance Fund	<u><u>\$ 10,405</u></u>
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All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2018-19 were as follows:

General Fund transfer to the Cafeteria Fund to supplement the child nutrition program	\$ 41,518
General Fund transfer to the Capital Projects - Special Reserve Fund to cover energy efficiency related expenditures	45,645
Building Fund transfer to the General Fund to reimburse bond related expenditures incurred in 2017-18	<u>106,477</u>
Total	<u><u>\$ 193,640</u></u>

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balances July 1, 2018	Additions	Deletions	Balances June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 140,370			\$ 140,370
Construction-in-Progress	109,285	\$ 592,470		701,755
Total Capital Assets Not Being Depreciated	249,655	592,470	\$ 0	842,125
Capital Assets Being Depreciated:				
Sites and Improvements	758,945	32,300		791,245
Buildings and Improvements	2,743,173	103,371		2,846,544
Furniture and Equipment	934,232	46,976		981,208
Total Capital Assets Being Depreciated	4,436,350	182,647	0	4,618,997
Less Accumulated Depreciation:				
Sites and Improvements	452,929	29,410		482,339
Buildings and Improvements	1,724,112	81,112		1,805,224
Furniture and Equipment	755,787	31,875		787,662
Total Accumulated Depreciation	2,932,828	142,397	0	3,075,225
Total Capital Assets Being Depreciated, Net	1,503,522	40,250	0	1,543,772
Capital Assets, Net	\$ 1,753,177	\$ 632,720	\$ 0	\$ 2,385,897

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 62,626
Instruction-Related Services	20,229
Pupil Services	17,984
General Administration	29,365
Plant Services	12,193
Total	<u>\$ 142,397</u>

NOTE 7 - GENERAL OBLIGATION BONDS

On the November 6, 2018, general election, the registered voters of the District approved Measure B, which authorizes the District to issue up to \$4,900,000 in general obligation bonds to improve local school safety systems; provide accessibility for students with disabilities; update classrooms and improve technology to support quality instruction; updated plumbing, heating AC and electrical systems, and to pay the costs of issuing the bonds. On April 30, 2019, the District issued general obligation bonds in the amount of \$2,300,000.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

The general obligation bonds are secured by the full faith and credit of the District. Alpine County is obligated to annually levy and collect ad valorem taxes upon all property within the District subject to taxation for the payment of interest and principal of the bonds. The District's outstanding general obligation debt, excluding \$226,915 of unamortized bond premiums, as of June 30, 2019 is as follows:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2018	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2019
4/30/19	3.00-5.00	8/1/49	<u>\$ 2,300,000</u>	<u>\$ 0</u>	<u>\$ 2,300,000</u>	<u>\$ 0</u>	<u>\$ 2,300,000</u>

The annual requirement to amortize the current interest bonds payable, outstanding as of June 30, 2019, is as follows:

Year Ended June 30	Principal	Interest	Totals
2020	\$ 0	\$ 72,380	\$ 72,380
2021	195,000	93,225	288,225
2022	210,000	87,150	297,150
2023	30,000	83,400	113,400
2024	15,000	82,500	97,500
2025-2029	120,000	400,000	520,000
2030-2034	205,000	368,100	573,100
2035-2039	305,000	321,850	626,850
2040-2044	435,000	253,125	688,125
2045-2049	630,000	122,000	752,000
2050-2054	155,000	3,875	158,875
Totals	<u>\$ 2,300,000</u>	<u>\$ 1,887,605</u>	<u>\$ 4,187,605</u>

NOTE 8 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying government-wide financial statements as follows:

Pension Plan	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 1,520,661	\$ 479,606	\$ 295,475	\$ 251,183
CalPERS	946,830	314,698	135,037	210,756
Totals	<u>\$ 2,467,491</u>	<u>\$ 794,304</u>	<u>\$ 430,512</u>	<u>\$ 461,939</u>

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and Governor, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Concluded)

CalSTRS 2% at 60 (Concluded)

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to AB 1469, the CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2018-19. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2018-19.

Employers: Pursuant to AB 1469, the employer contribution rate was 16.28% of applicable member earnings for fiscal year 2018-19. The District contributed \$150,416 to the plan for the fiscal year ended June 30, 2019.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Contributions (Concluded)

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2019 was 5.311%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.828% for the fiscal year ended June 30, 2019.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 1,520,661
State's proportionate share of the net pension liability associated with the District	<u>870,650</u>
Total net pension liability attributed to District	<u><u>\$ 2,391,311</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2018 and June 30, 2017 was as follows:

Proportion - June 30, 2018	0.0017%
Proportion - June 30, 2017	<u>0.0018%</u>
Change - Increase (Decrease)	<u><u>-0.0001%</u></u>

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$251,183, which includes \$138,813 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 150,416	
Differences between expected and actual experience	5,245	\$ 23,071
Changes of assumptions	262,670	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	61,275	206,436
Net differences between projected and actual earnings on plan investments		65,968
Totals	<u>\$ 479,606</u>	<u>\$ 295,475</u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2020	\$ 24,416
2021	1,315
2022	(40,377)
2023	26,311
2024	43,944
2025	(21,894)

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2018. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Concluded)

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	<u>100%</u>	

* 20-year average

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	<u>Discount Rate 1% Decrease 6.10%</u>	<u>Discount Rate Current Rate 7.10%</u>	<u>Discount Rate 1% Increase 8.10%</u>
District's proportionate share of the net pension liability	\$ 2,227,591	\$ 1,520,661	\$ 934,548

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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 the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary.

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 18.062% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2019 was \$116,568.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported a liability of \$946,830 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2018 and June 30, 2017 was as follows:

Proportion - June 30, 2018	0.0036%
Proportion - June 30, 2017	<u>0.0042%</u>
Change - Increase (Decrease)	<u><u>-0.0006%</u></u>

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$210,756, which includes \$39,235 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 116,568	
Differences between expected and actual experience	65,197	
Changes of assumptions	110,604	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		\$ 135,037
Net differences between projected and actual earnings on plan investments	<u>22,329</u>	
Totals	<u><u>\$ 314,698</u></u>	<u><u>\$ 135,037</u></u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Year Ended June 30	
2020	\$ 64,684
2021	41,128
2022	(37,130)
2023	(5,589)

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2018. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor
on Purchasing Power applies, 2.50% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLANS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 1,378,539	\$ 946,830	\$ 588,665

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 9 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2019, are shown below:

	Balances July 1, 2018	Additions	Deductions	Balances June 30, 2019	Due within One Year
Long-Term Debt:					
General Obligation Bonds		\$ 2,300,000		\$ 2,300,000	
Bond Premium		228,172	\$ 1,257	226,915	\$ 7,543
Other Long-Term Liabilities:					
Compensated Absences	\$ 52,561	40,874	52,561	40,874	40,874
Net Pension Liabilities	2,714,180		246,689	2,467,491	
Totals	\$ 2,766,741	\$ 2,569,046	\$ 300,507	\$ 5,035,280	\$ 48,417

Compensated absences and net pension liabilities are obligations of the General Fund and Cafeteria Fund, and the general obligation bonds are obligations of the Bond Interest and Redemption Fund.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - FUND BALANCES

The District's fund balances at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 10,000				\$ 10,000
Prepaid Expenditures	18,714				18,714
Total Nonspendable	28,714				28,714
Restricted:					
Categorical Programs	93,785				93,785
Adult Education Programs				\$ 108,910	108,910
Capital Projects		\$ 1,802,804		166,392	1,969,196
Debt Service				228,172	228,172
Total Restricted	93,785	1,802,804		503,474	2,400,063
Committed:					
Deferred Maintenance				215,456	215,456
Assigned:					
Facilities Projects			\$ 1,096,375		1,096,375
Other Assignments	15,973				15,973
Total Assigned	15,973		1,096,375		1,112,348
Unassigned:					
Reserve for Economic Uncertainties	3,829,525				3,829,525
Totals	\$ 3,967,997	\$ 1,802,804	\$ 1,096,375	\$ 718,930	\$ 7,586,106

NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) for K-12 Education. These payments consist of state general fund contributions of \$138,813 to CalSTRS and \$39,235 to CalPERS. These contributions are recorded in the General Fund, Cafeteria Fund, and Adult Education Fund as revenues and expenditures. The District is not legally responsible for these contributions.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Alpine County Office of Education (the "County Office") serves only the Alpine County Unified School District. As a result, the two entities are in the same location and share a common administration, including board members and shared allocations of office space and personnel. The cost relating to common administration including administrative space and personnel were reported in the District's financial statements and were not transferred to the County Office. As discussed in Note 4 of these financial statements, the Alpine County Office of Education owes the Alpine County Unified School District \$21,912, as of June 30, 2019, for the outstanding balance on the note receivable that was entered into in prior years to provide funding to purchase property used to operate the Alpine Learning Center.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018-19, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 14 - JOINT VENTURE

The District participates in one joint venture under a joint powers agreement (JPA) with the Tuolumne Joint Powers Authority (TJPA) for property & liability and workers' compensation. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member. 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 pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA. The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's management.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. 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 reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 16 - RESTATEMENT OF NET POSITION / FUND BALANCE

The beginning fund balance of the General Fund has been restated to reflect a prior year overstatement of accounts payable related to federal revenues. The effects of the restatement on the current year financial statements are as follows:

	<u>Statement of Activities</u>	<u>General Fund</u>
Net Position / Fund Balance - July 1, 2018 (as originally stated)	\$ 5,463,034	\$ 4,271,713
Understatement of Federal Revenues	<u>120,128</u>	<u>120,128</u>
Net Position / Fund Balance - July 1, 2018 (as restated)	<u><u>\$ 5,583,162</u></u>	<u><u>\$ 4,391,841</u></u>

NOTE 17 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 10, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 511,030	\$ 511,030	\$ 463,567	\$ (47,463)
Local Sources	1,365,441	1,416,306	1,437,363	21,057
Total LCFF Sources	1,876,471	1,927,336	1,900,930	(26,406)
Federal Revenue	373,326	444,403	590,726	146,323
Other State Revenue	195,998	376,147	364,008	(12,139)
Other Local Revenue	280,106	313,170	339,976	26,806
Total Revenues	2,725,901	3,061,056	3,195,640	134,584
<u>Expenditures</u>				
Current:				
Certificated Salaries	894,302	894,311	1,030,469	(136,158)
Classified Salaries	570,989	657,193	681,976	(24,783)
Employee Benefits	611,197	793,691	786,263	7,428
Books and Supplies	138,730	138,730	177,537	(38,807)
Services and Other				
Operating Expenditures	673,485	673,485	568,226	105,259
Capital Outlay	133,838	262,906	399,242	(136,336)
Other Expenditures	(5,335)	(5,335)	(4,915)	(420)
Total Expenditures	3,017,206	3,414,981	3,638,798	(223,817)
Excess of Revenues (Under) Expenditures	(291,305)	(353,925)	(443,158)	(89,233)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In		106,477	106,477	
Operating Transfers Out	(57,604)	(57,604)	(87,163)	(29,559)
Total Other Financing Sources (Uses)	(57,604)	48,873	19,314	(29,559)
Net Change in Fund Balances	(348,909)	(305,052)	(423,844)	\$ (118,792)
Fund Balances - July 1, 2018 (As Restated - Note 16)	4,391,841	4,391,841	4,391,841	
Fund Balances - June 30, 2019	\$ 4,042,932	\$ 4,086,789	\$ 3,967,997	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2019

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2019	0.0017%	\$ 1,520,661	\$ 870,650	\$ 2,391,311	\$ 880,748	172.66%	70.99%
2018	0.0018%	1,701,456	1,006,567	2,708,023	975,087	174.49%	69.46%
2017	0.0017%	1,398,164	872,917	2,271,081	861,519	162.29%	70.04%
2016	0.0017%	1,172,871	780,116	1,952,987	808,604	145.05%	74.02%
2015	0.0020%	1,153,115	748,877	1,901,992	878,897	131.20%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2019

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2019	0.0036%	\$ 946,830	\$ 468,386	202.15%	70.85%
2018	0.0042%	1,012,724	540,963	187.21%	71.87%
2017	0.0046%	901,259	547,463	164.62%	73.90%
2016	0.0048%	712,108	534,848	133.14%	79.43%
2015	0.0034%	380,707	352,036	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2019	\$ 150,416	\$ 150,416	\$ 0	\$ 923,931	16.28%
2018	121,882	121,882	0	844,643	14.43%
2017	123,508	123,508	0	981,781	12.58%
2016	90,301	90,301	0	841,575	10.73%
2015	77,984	77,984	0	878,198	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2019	\$ 116,568	\$ 116,568	\$ 0	\$ 645,377	18.062%
2018	72,745	72,745	0	468,386	15.531%
2017	75,129	75,129	0	540,963	13.888%
2016	64,858	64,858	0	547,463	11.847%
2015	62,957	62,957	0	534,848	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP).

Excess expenditures over appropriations as of June 30, 2019 were as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Certificated Salaries	\$ 136,158
Classified Salaries	24,783
Books and Supplies	38,807
Capital Outlay	136,336
Other Expenditures	420

The District incurred unanticipated expenditures in excess of appropriations in each of the above expenditure classifications for which the budget was not revised.

B. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

C. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes in Assumptions

During fiscal year 2017-18, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

As a result of the study, CalPERS changed the following assumption used in determining the NPL as follows:

<u>Assumption</u>	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>
Inflation	2.50%	2.75%

There were no changes in assumptions since the previous valuation for CalSTRS.

SUPPLEMENTARY INFORMATION SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

ORGANIZATION

The Alpine County Unified School District was established in 1964 and is comprised of an area of approximately 727 square miles in Alpine County. There were no changes in the boundaries of the District during the current year. The District currently operates two elementary schools and a community day school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Amy Mecak	President	January, 2021
Rachael Brothers	Clerk	January, 2021
John Baker	Member	January, 2023
Nani Ellis	Member	January, 2023
Amber Bill	Member	January, 2023

ADMINISTRATION

Lisa Fontana, Ph.D.
Interim Superintendent

Klaus Leitenbauer
Business Manager

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Deferred Maintenance	Cafeteria
<u>Assets</u>		
Deposits and Investments	\$ 205,051	\$ (13,422)
Receivables		13,560
Due from Other Funds	10,405	
	<hr/>	<hr/>
Total Assets	<u>\$ 215,456</u>	<u>\$ 138</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable		<u>\$ 138</u>
Fund Balances:		
Restricted		
Committed	<u>\$ 215,456</u>	
	<hr/>	<hr/>
Total Fund Balances	<u>215,456</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 215,456</u>	<u>\$ 138</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

Adult Education	Bond Interest and Redemption	Capital Facilities	Total Non-Major Governmental Funds
\$ 108,910	\$ 228,172	\$ 166,392	\$ 695,103
			13,560
			10,405
\$ 108,910	\$ 228,172	\$ 166,392	\$ 719,068
			\$ 138
\$ 108,910	\$ 228,172	\$ 166,392	503,474
			215,456
108,910	228,172	166,392	718,930
\$ 108,910	\$ 228,172	\$ 166,392	\$ 719,068

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>
<u>Revenues</u>		
LCFF Sources:		
State Apportionment / Transfers	\$ 33,485	
Federal Revenue		\$ 49,912
State Revenue		5,583
Local Revenue	4,179	661
Total Revenues	<u>37,664</u>	<u>56,156</u>
<u>Expenditures</u>		
Current:		
Instruction		
School Site Administration		
Food Services		92,759
Other General Administration		4,915
Plant Services	18,804	
Facilities Acquisition and Construction	6,316	
Total Expenditures	<u>25,120</u>	<u>97,674</u>
Excess of Revenues Over (Under) Expenditures	<u>12,544</u>	<u>(41,518)</u>
<u>Other Financing Sources</u>		
Operating Transfers In		41,518
Other Sources		
Total Other Financing Sources (Uses)	<u>0</u>	<u>41,518</u>
Net Change in Fund Balances	12,544	0
Fund Balances - July 1, 2018	<u>202,912</u>	<u>0</u>
Fund Balances - June 30, 2019	<u><u>\$ 215,456</u></u>	<u><u>\$ 0</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<u>Adult Education</u>	<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 33,485
			49,912
\$ 11,482			17,065
2,321		\$ 4,616	11,777
<u>13,803</u>		<u>4,616</u>	<u>112,239</u>
28,648			28,648
556			556
			92,759
			4,915
			18,804
			6,316
<u>29,204</u>		<u>0</u>	<u>151,998</u>
<u>(15,401)</u>		<u>4,616</u>	<u>(39,759)</u>
	\$ 228,172		41,518
			228,172
<u>0</u>	<u>228,172</u>	<u>0</u>	<u>269,690</u>
(15,401)	228,172	4,616	229,931
124,311	0	161,776	488,999
<u>\$ 108,910</u>	<u>\$ 228,172</u>	<u>\$ 166,392</u>	<u>\$ 718,930</u>

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

P-2 Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	27.40	25.58	21.72	74.70
Annual Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	27.33	25.18	21.96	74.47

SEE NOTES TO SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	59,010	180	N/A	In Compliance
Grade 1	50,400	53,800	180	N/A	In Compliance
Grade 2	50,400	55,284	180	N/A	In Compliance
Grade 3	50,400	53,800	180	N/A	In Compliance
Grade 4	54,000	55,824	180	N/A	In Compliance
Grade 5	54,000	55,824	180	N/A	In Compliance
Grade 6	54,000	55,824	180	N/A	In Compliance
Grade 7	54,000	55,824	180	N/A	In Compliance
Grade 8	54,000	55,824	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Pupil Transportation Fund	Deferred Maintenance Fund
June 30, 2019 Annual Financial and Budget Report Fund Balances	\$ 3,984,503	\$ 2,497	\$ 205,051
Adjustments and Reclassifications Increasing (Decreasing) Fund Balances:			
(Understatement) Overstatement of Services and Other Operating Expenditures	(10,405)		10,405
Overstatement of Other State Revenues	(8,598)		
Reclassification of Fund Balances	2,497	(2,497)	
Net Adjustments and Reclassifications	(16,506)	(2,497)	10,405
June 30, 2019 Audited Financial Statements Fund Balances	\$ 3,967,997	\$ 0	\$ 215,456

Auditor's Comments

The fund balances of the General Fund and Pupil Transportation Fund, have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2019.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	GENERAL FUND			
	(Budget) 2019-20	2018-19	2017-18 **	2016-17
Revenues and Other Financial Sources	\$ 2,791,110	\$ 3,302,117	\$ 3,153,176	\$ 2,819,620
Expenditures	3,031,743	3,638,798	2,693,106	2,674,214
Other Uses and Transfers Out	72,268	87,163	63,318	57,162
Total Outgo	3,104,011	3,725,961	2,756,424	2,731,376
Change in Fund Balance	(312,901)	(423,844)	396,752	88,244
Ending Fund Balance	\$ 3,655,096	\$ 3,967,997	\$ 4,391,841	\$ 3,995,089
Available Reserves	\$ 3,432,145	\$ 3,829,525	\$ 4,049,739	\$ 3,790,697
Reserve for Economic Uncertainties *	\$ 3,432,145	\$ 3,829,525	\$ 4,010,085	\$ 3,790,697
Available Reserves as a Percentage of Total Outgo	110.6%	102.8%	146.9%	138.8%
Average Daily Attendance at P-2	69	75	74	77
Total Long-Term Liabilities	\$ 4,986,863	\$ 5,035,280	\$ 2,766,741	\$ 2,342,472

* Reported balances are a component of available reserves.

** The amounts reported for fiscal year 2017-18 have been adjusted to reflect the restatement discussed in Note 16 of these financial statements.

The fund balance of the General Fund decreased \$27,092 (less than 1%) over the past two years. The fiscal year 2019-20 budget projects a decrease of \$312,901 (7.9%). For a district this size, the state recommends minimum reserves of at least 5% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$423,844 in fiscal year 2018-19, and produced operating surpluses of \$396,752 and \$88,244 in fiscal years 2017-18 and 2016-17, respectively.

Average daily attendance (ADA) decreased 2 ADA over the past two years. The District anticipates a decrease of 6 ADA during fiscal year 2019-20.

Total long-term liabilities increased \$2,692,808 over the past two years due primarily to the current year issuance of \$2,300,000 in general obligation bonds and the increase in the District's net pension liabilities.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year and met its LCFF funding target. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

E. Schedule of Financial Trends and Analysis

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.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Alpine County Unified School District
Markleeville, California

Report on State Compliance

We have audited Alpine County Unified School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide 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 the District's state programs occurred. An audit includes examining, on a test basis, evidence about Alpine County Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. Our audit does not provide a legal determination of Alpine County Unified School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Alpine County Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 2019-001, 2019-002, and 2019-003**. Further, the results of our auditing procedures disclosed instances of noncompliance with other state laws and regulations, which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2019-004**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2019

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Alpine County Unified School District
Markleeville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine County Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2019

FINDINGS AND QUESTIONED COSTS SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

State Awards

Any audit findings required to be reported in accordance with the <i>2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?</i>	<u> X </u> Yes	<u> </u> No
Any audit findings required to be reported in accordance with other State laws or regulations?	<u> X </u> Yes	<u> </u> No
Type of auditor's report issued on compliance for state programs:	Unmodified	

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2019.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2019 - 001 / 40000

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS

<u>Criteria:</u>	Education Code Section 42238.02(b)(2) requires a school district or charter school to annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS). Education Code Section 42238.02(b)(3)(B) states that the Controller shall include instructions necessary to enforce paragraph (2) in the audit required by Education Code Section 14502.1 and that the instructions shall include, but are not necessarily limited to, procedures for determining if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.
<u>Condition:</u>	The District reported 11 students on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, indicated as a "No" under the "Direct Certification" column, that were only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column, with no supporting documentation, such as a Free and Reduced Price Meal eligibility application under a federal nutrition program or an alternative household income data collection form that indicates the students were eligible for the designations.
<u>Context:</u>	The condition was noted for all schools as October 31, 2018 for fiscal year 2018-19. We reviewed 100% of the free and reduced-price meal eligibility applications.
<u>Effect:</u>	The District overstated the certified unduplicated local control funding formula pupil counts to the California Department of Education (CDE).
<u>Questioned Costs:</u>	A summary of certified enrollment, unduplicated pupil counts, pupil count adjustments, and audited unduplicated pupil counts is presented for the District's schools, as follows:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONTINUED)

Questioned Costs
(Concluded):

	Total Enrollment	Unduplicated Eligible Free/ Reduced Meal Counts	EL Funding Eligible	Total Unduplicated FRPM/EL Eligible Count
<u>Certified Pupil Counts:</u>				
Alpine County Secondary	0	0	0	0
Bear Valley Elementary	2	1	0	1
Diamond Valley Elementary	77	57	0	57
Totals	79	58	0	58
<u>Audit Adjustments:</u>				
Alpine County Secondary				
Bear Valley Elementary				
Diamond Valley Elementary		(11)		(11)
Totals	0	(11)	0	(11)
<u>Adjusted Pupil Counts:</u>				
Alpine County Secondary	0	0	0	0
Bear Valley Elementary	2	1	0	1
Diamond Valley Elementary	77	46	0	46
Totals	79	47	0	47

The District received funding under the Basic Aid provision and did not receive either supplemental or concentration grant funding in fiscal year 2018-19, therefore there is no fiscal impact.

Cause:

The District did not reconcile the free and reduced-price meal eligibility applications on hand as of October 31, 2018 to the counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, to ensure accuracy and completeness.

Recommendation:

The District should enforce established procedures to ensure that counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONCLUDED)

District Response:

During the 2018/19 fiscal year, the District experienced a Superintendent change, bringing in an interim Superintendent from April through the end of the fiscal year. The District also experienced changes to its District Office Staff (Confidential Classified) including a new Fiscal Services Coordinator and Human Resources/Admin Services Coordinator. In addition, two interim Principals were employed during the fiscal year at its primary K-8 school site after the Principal resigned in early September of the 2018/19 school year.

The District also passed a General Obligation Bond and re-opened a school site that had been closed since 2011 in Bear Valley, California.

During the 2019/20 school year a new Superintendent was approved by the School Board. The new Superintendent has made a top priority Continuing Professional Development for all staff, certificated and classified and ensuring policies and procedures, currently in place, are properly followed.

The District will adhere to its procedure of reconciling the free and reduced-price meal eligibility applications to the counts reported on the CALPADS Student List report by October 31st to ensure accuracy.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019 - 002 / 70000

INSTRUCTIONAL MATERIALS

<u>Criteria:</u>	In accordance with Education Code Section 60119, a governing board of a school district shall hold a public hearing, on or before the end of the eighth week of school (from the first day pupils attend school for that year), and shall make a determination, through a resolution, as to whether each pupil in each school in the district has sufficient textbooks or instructional materials, or both, that are aligned to the content standards adopted pursuant to Section 60605 or 60605.8 in each of the following subjects, as appropriate, that are consistent with the content and cycles of the curriculum framework adopted by the state board; mathematics, science, history-social science, and English/language arts, including the English language development component of an adopted program.
<u>Condition:</u>	The required public hearing was not held during the first eight weeks of school from the first day pupils attended school.
<u>Questioned Costs:</u>	None. This noncompliance has no fiscal impact.
<u>Context:</u>	The required public hearing was held at the beginning of the ninth week of school and the Board subsequently approved a compliant resolution.
<u>Effect:</u>	The District did not comply with the requirements of Education Code Section 60119.
<u>Cause:</u>	The District did not have appropriate procedures in place to ensure that the required public hearing was held during the first eight weeks of school.
<u>Recommendation:</u>	The District should enforce established procedures to ensure that a compliant public hearing is held, and the required resolution is adopted, within the first eight weeks of school in accordance with Education Code Section 60119.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

INSTRUCTIONAL MATERIALS (CONCLUDED)

District Response:

During the 2018/19 fiscal year, the District experienced a Superintendent change, bringing in an interim Superintendent from April through the end of the fiscal year. The District also experienced changes to its District Office Staff (Confidential Classified) including a new Fiscal Services Coordinator and Human Resources/Admin Services Coordinator. In addition, two interim Principals were employed during the fiscal year at its primary K-8 school site after the Principal resigned in early September of the 2018/19 school year.

The District also passed a General Obligation Bond and re-opened a school site that had been closed since 2011 in Bear Valley, California.

During the 2019/20 school year a new Superintendent was approved by the School Board. The new Superintendent has made a top priority Continuing Professional Development for all staff, certificated and classified and ensuring policies and procedures, currently in place, are properly followed.

For the 2019/20 year, the District complied with its procedure to hold the required public hearing within the first eight weeks of school.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019 - 003 / 72000

SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES

<u>Criteria:</u>	In accordance with guidance provided by the California Department of Education (CDE), the disclosures regarding safety, cleanliness, and adequacy of school facilities, which are required by Education Code Section 17002(d) to be presented in the school accountability report card prepared for each school, are to be based on the most recent available data collected by the County Office.
<u>Condition:</u>	The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report cards during the 2018-19 school year, for all school sites, were not consistent with the most recent available data collected by the District.
<u>Questioned Costs:</u>	None. This noncompliance has no fiscal impact.
<u>Context:</u>	The condition was noted at all school sites.
<u>Effect:</u>	The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the school accountability report cards during the 2018-19 school year, for all school sites, were not presented in accordance with state guidelines.
<u>Cause:</u>	The District was unaware that the disclosures regarding safety, cleanliness, and adequacy of school facilities, were not presented accurately in the school accountability report cards.
<u>Recommendation:</u>	Future school accountability report card disclosures regarding safety, cleanliness, and adequacy of school facilities, should be based on and consistent with the most recent available data collected by the District.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES (CONCLUDED)

District Response:

During the 2018/19 fiscal year, the District experienced a Superintendent change, bringing in an interim Superintendent from April through the end of the fiscal year. The District also experienced changes to its District Office Staff (Confidential Classified) including a new Fiscal Services Coordinator and Human Resources/Admin Services Coordinator. In addition, two interim Principals were employed during the fiscal year at its primary K-8 school site after the Principal resigned in early September of the 2018/19 school year.

The District also passed a General Obligation Bond and re-opened a school site that had been closed since 2011 in Bear Valley, California.

During the 2019/20 school year a new Superintendent was approved by the School Board. The new Superintendent has made a top priority Continuing Professional Development for all staff, certificated and classified and ensuring policies and procedures, currently in place, are properly followed.

For the 2019/20 school year the Superintendent, Business Manager and Facilities Supervisor have scheduled facilities inspections during December 2019. The Superintendent and Business Manager will follow the appropriate procedures to ensure the disclosures presented in the school accountability report card are presented accurately.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019 - 004 / 40000

EXPENDITURES IN EXCESS OF APPROPRIATIONS

<u>Criteria:</u>	In accordance with Education Code Section 42600, the total amount budgeted as the proposed expenditure of the school district for each major classification of school district expenditures listed in the school district budget forms prescribed by the Superintendent of Public Instruction shall be the maximum amount which may be expended for that classification of expenditures for the school year.
<u>Condition:</u>	Total General Fund expenditures exceeded total General Fund appropriations by \$223,817 during fiscal year 2018-19.
<u>Questioned Cost:</u>	None.
<u>Context:</u>	Total expenditures exceeded total appropriations in the General Fund as of June 30, 2019, see page 51.
<u>Effect:</u>	The District did not comply with the legal requirements for expenditure appropriations.
<u>Cause:</u>	Expenditures were made when no appropriations for such expenditures were available.
<u>Recommendation:</u>	Transfers may be made from available reserves in unspent expenditure classifications, designated fund balance, or unappropriated fund balance, to any expenditure classifications with Board approval under Education Code Section 42600. No payments should be made when there are no available appropriations in the expenditure classification.
<u>District Response:</u>	<p>During the 2018/19 fiscal year, the District experienced a Superintendent change, bringing in an interim Superintendent from April through the end of the fiscal year. The District also experienced changes to its District Office Staff (Confidential Classified) including a new Fiscal Services Coordinator and Human Resources/Admin Services Coordinator. In addition, two interim Principals were employed during the fiscal year at its primary K-8 school site after the Principal resigned in early September of the 2018/19 school year.</p> <p>The District also passed a General Obligation Bond and re-opened a school site that had been closed since 2011 in Bear Valley, California.</p>

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

EXPENDITURES IN EXCESS OF APPROPRIATIONS (CONCLUDED)

District Response (Concluded):

During the 2019/20 school year a new Superintendent was approved by the School Board. The new Superintendent has made a top priority Continuing Professional Development for all staff, certificated and classified and ensuring policies and procedures, currently in place, are properly followed.

The Superintendent and Business Manager will ensure no payments are made when there are no available appropriations in the expenditure classification.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
2018 - 001 / 40000		
<u>EDUCATOR EFFECTIVENESS</u>		
The District should contact the CDE to determine the procedure for returning the unspent funds.	Implemented	