

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

AUDIT REPORT

JUNE 30, 2018

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

JUNE 30, 2018

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ALPINE COUNTY UNIFIED SCHOOL DISTRICT

JUNE 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows 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 on pages 4 through 13, the budgetary comparison information on page 53, schedules of proportionate share of the net pension liabilities on pages 54 and 55, and schedules of contributions on pages 56 and 57 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, 2018 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, 2018

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(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, 2018. 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 15 and 16, 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 17 through 23, 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 2017-18 is the fourth 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 2017-18 is the fifth 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 improved slightly during the course of the year as total net position increased less than 1%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$41,724.
- Net capital assets increased \$40,780, due to the current year addition of \$170,374 of new capital assets and improvements, and the current year recognition of \$129,594 of depreciation expense.
- Total long-term liabilities increased \$424,269, due primarily to the increase in the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) decreased from 77 ADA in fiscal year 2016-17 down to 74 ADA in fiscal year 2017-18, a decrease of 3 ADA or 3.9%.
- The District's General Fund produced an operating surplus of \$276,624 during fiscal year 2017-18 and recognized a \$259,042 increase 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 2017-18, total General Fund expenditures and other financing uses totaled \$2,756,424. At June 30, 2018, the District had available reserves of \$4,049,739 in the General Fund which represents a reserve of 146.9%.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(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, 2018**

(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 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 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.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required.

Internal service funds are reported with the Governmental Funds. The District has one fund of this type, the Self Insurance Fund, which is no longer active. The remaining balance in the fund was transferred to the General Fund during fiscal year 2017-18 and the fund was closed.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position increased from \$5,421,310 at June 30, 2017, up to \$5,463,034 at June 30, 2018, an increase of less than 1%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2017	2018
<u>Assets</u>		
Deposits and Investments	\$ 5,430,836	\$ 5,879,402
Receivables	121,974	80,547
Note Receivable	146,008	85,508
Stores Inventory	4,934	0
Prepaid Expenses	23,145	25,996
Capital Assets, net	1,712,397	1,753,177
Total Assets	7,439,294	7,824,630
<u>Deferred Outflow of Resources</u>		
Pension Deferrals	639,143	892,194
<u>Liabilities</u>		
Current	137,111	274,804
Long-Term	2,299,423	2,714,180
Total Liabilities	2,436,534	2,988,984
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	220,593	264,806
<u>Net Position</u>		
Net Investment in Capital Assets	1,712,397	1,753,177
Restricted	376,650	414,599
Unrestricted	3,332,263	3,295,258
Total Net Position	\$ 5,421,310	\$ 5,463,034
<i>Table includes financial data of the combined governmental and proprietary fund</i>		

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

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

The District's total current year revenues exceeded total current year expenses by \$41,724.

<u>Comparative Statement of Changes in Net Position</u>		
	Governmental Activities	
	2017	2018
<u>Program Revenues</u>		
Charges for Services	\$ 0	\$ 631
Operating Grants & Contributions	505,310	533,821
<u>General Revenues</u>		
Taxes Levied	1,366,223	1,416,305
Federal & State Aid	929,210	884,911
Interest & Investment Earnings	42,500	64,314
Other Revenues	159,023	193,178
Total Revenues	3,002,266	3,093,160
<u>Expenses</u>		
Instruction	1,353,694	1,319,117
Instruction-Related Services	327,255	467,795
Pupil Services	439,668	303,502
General Administration	752,027	645,324
Plant Services	332,163	300,239
Other Expenses	15,606	15,459
Total Expenses	3,220,413	3,051,436
Changes in Net Position	(218,147)	41,724
Net Position, Beginning	5,639,457	5,421,310
Net Position, Ending	<u>\$ 5,421,310</u>	<u>\$ 5,463,034</u>
<i>Table includes financial data of the combined governmental and proprietary fund</i>		

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

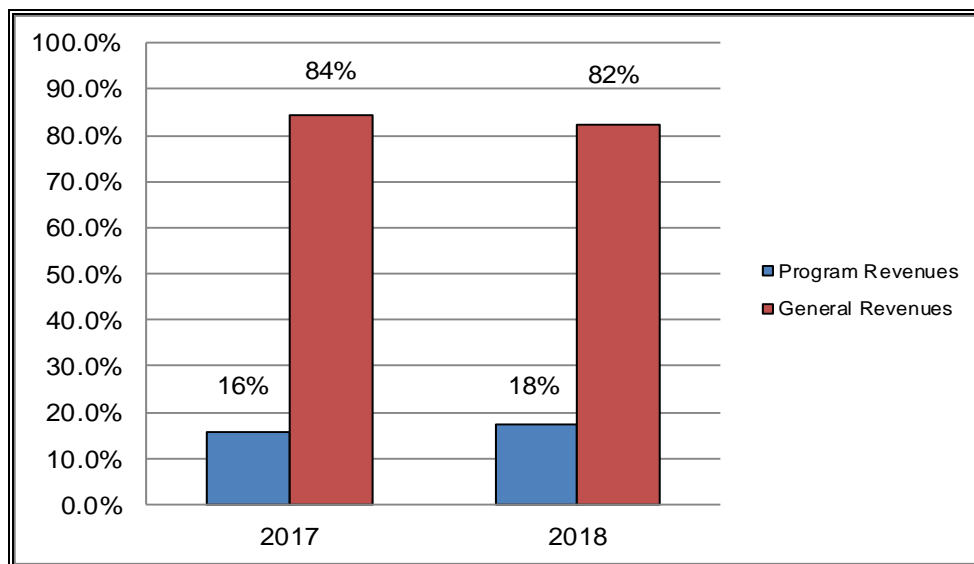
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Instruction	\$ 1,353,694	\$ 1,319,117	\$ 1,021,954	\$ 980,808
Instruction-Related Services	327,255	467,795	304,241	443,874
Pupil Services	439,668	303,502	330,943	198,509
General Administration	752,027	645,324	713,006	603,175
Plant Services	332,163	300,239	332,163	281,546
Other Expenses	15,606	15,459	11,802	9,072
Totals	<u>\$ 3,220,413</u>	<u>\$ 3,051,436</u>	<u>\$ 2,714,109</u>	<u>\$ 2,516,984</u>

Table includes financial data of the combined governmental and proprietary fund

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 \$2,516,984 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2017-18, program revenues financed 18% of the total cost of providing the services listed above, while the remaining 82% 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, 2018**

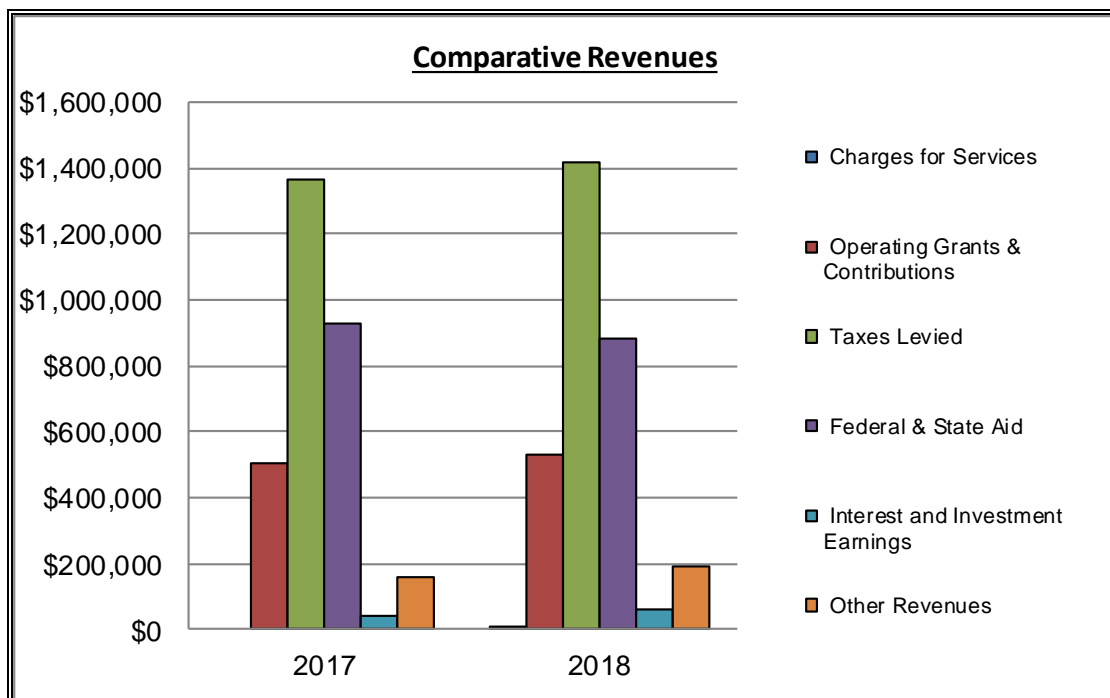
(PREPARED BY DISTRICT MANAGEMENT)

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

Summary of Revenues For Governmental Functions

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 0	0.00%	\$ 631	0.02%
Operating Grants & Contributions	505,310	16.83%	533,821	17.26%
<u>General Revenues</u>				
Taxes Levied	1,366,223	45.51%	1,416,305	45.79%
Federal & State Aid	929,210	30.95%	884,911	28.61%
Interest & Investment Earnings	42,500	1.42%	64,314	2.08%
Other Revenues	159,023	5.30%	193,178	6.25%
Total Revenues	<u>\$ 3,002,266</u>	<u>100.00%</u>	<u>\$ 3,093,160</u>	<u>100.00%</u>

Table includes financial data of the combined governmental and proprietary fund



**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

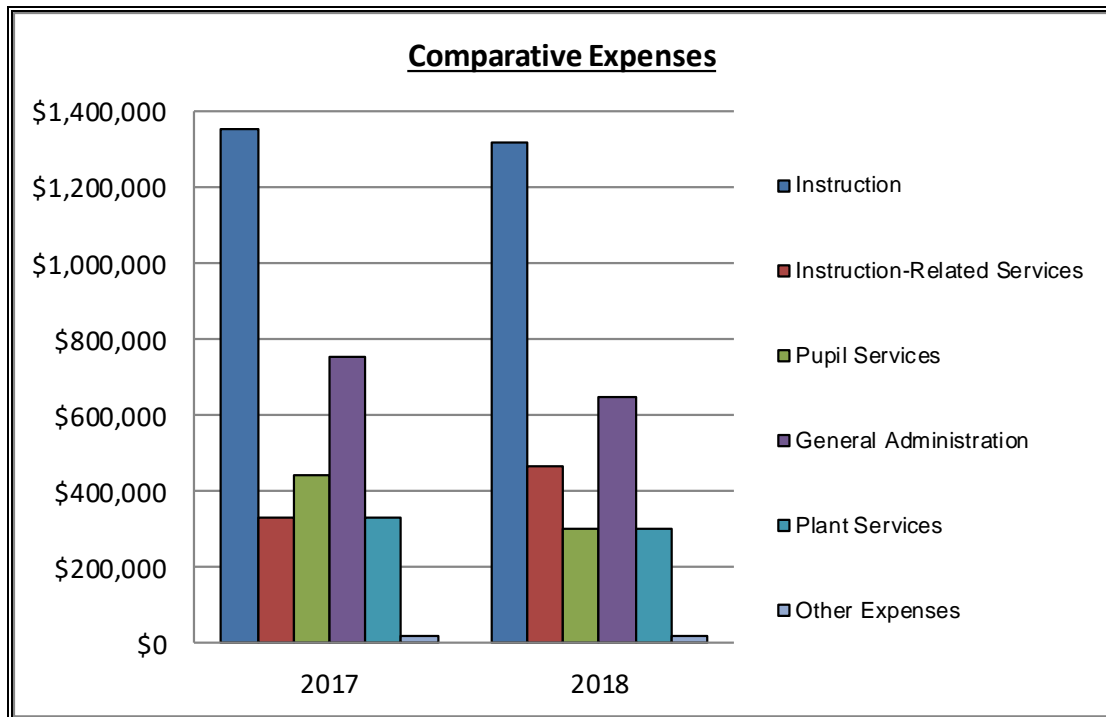
(PREPARED BY DISTRICT MANAGEMENT)

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

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2017 Amount</u>	<u>Percent of Total</u>	<u>FYE 2018 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 1,353,694	42.03%	\$ 1,319,117	43.23%
Instruction-Related Services	327,255	10.16%	467,795	15.33%
Pupil Services	439,668	13.65%	303,502	9.95%
General Administration	752,027	23.35%	645,324	21.15%
Plant Services	332,163	10.31%	300,239	9.84%
Other Expenses	15,606	0.48%	15,459	0.51%
Total Expenses	\$ 3,220,413	100.00%	\$ 3,051,436	100.00%

Table includes financial data of the combined governmental and proprietary fund



**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

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

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2017	2018
Land	\$ 140,370	\$ 140,370
Sites and Improvements	733,020	758,945
Buildings and Improvements	2,743,173	2,743,173
Furniture and Equipment	859,138	934,232
Construction-in-Progress	39,930	109,285
Subtotals	4,515,631	4,686,005
Less: Accumulated Depreciation	(2,803,234)	(2,932,828)
Capital Assets, net	<u>\$ 1,712,397</u>	<u>\$ 1,753,177</u>

Net capital assets increased \$40,780, due to the current year addition of \$170,374 of new capital assets and improvements, and the current year recognition of \$129,594 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2017	2018
Compensated Absences	\$ 43,049	\$ 52,561
Net Pension Liabilities	2,299,423	2,714,180
Totals	<u>\$ 2,342,472</u>	<u>\$ 2,766,741</u>

Total long-term liabilities increased \$424,269, due primarily to the increase in the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The fund balance of the General Fund increased \$276,624 and the combined fund balances of all other District governmental funds increased \$44,574.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

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 status during fiscal year 2018-19. 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 2018-19 will be the sixth 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.

BASIC FINANCIAL STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 5,879,402
Receivables (Note 3)	80,547
Note Receivable (Note 4)	85,508
Prepaid Expenses (Note 11)	25,996
Capital Assets, Not Depreciated (Note 6)	249,655
Capital Assets, Net of Accumulated Depreciation	1,503,522
Total Assets	<u>7,824,630</u>
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 7)	<u>892,194</u>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	216,218
Unearned Revenue (Note 11)	6,025
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 11)	52,561
<i>Portion Due or Payable After One Year:</i>	
Net Pension Liabilities (Note 7)	2,714,180
Total Liabilities	<u>2,988,984</u>
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 7)	<u>264,806</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,753,177
Restricted:	
For Capital Projects	177,126
For Educational Programs	201,477
For Other Purposes	35,996
Unrestricted	3,295,258
Total Net Position	<u><u>\$ 5,463,034</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, 2018**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 1,319,117		\$ 338,309		\$ (980,808)
Instruction-Related Services:					
Supervision of Instruction	682				(682)
Instructional Library and Technology	234,310		6,647		(227,663)
School Site Administration	232,803		17,274		(215,529)
Pupil Services:					
Home-to-School Transportation	152,344				(152,344)
Food Services	98,682	\$ 596	54,053		(44,033)
Other Pupil Services	52,476		50,344		(2,132)
General Administration:					
Data Processing Services	25,780				(25,780)
Other General Administration	619,544	35	42,114		(577,395)
Plant Services	300,239		18,693		(281,546)
Ancillary Services	15,402		6,387		(9,015)
Community Services	57				(57)
Total Governmental Activities	<u>\$ 3,051,436</u>	<u>\$ 631</u>	<u>\$ 533,821</u>	<u>\$ 0</u>	<u>(2,516,984)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					1,416,305
Federal and State Aid - Unrestricted					884,911
Interest and Investment Earnings					64,314
Transfers from Other Agencies					85,380
Miscellaneous					107,798
Total General Revenues					<u>2,558,708</u>
Change in Net Position					41,724
Net Position - July 1, 2017					<u>5,421,310</u>
Net Position - June 30, 2018					\$ 5,463,034

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Deposits and Investments (Note 2)	\$ 4,376,966	\$ 1,003,511	\$ 498,925	\$ 5,879,402
Receivables (Note 3)	78,710		1,837	80,547
Note Receivable (Note 4)		85,508		85,508
Prepaid Expenditures (Note 11)	25,996			25,996
	<u>25,996</u>			<u>25,996</u>
Total Assets	<u>\$ 4,481,672</u>	<u>\$ 1,089,019</u>	<u>\$ 500,762</u>	<u>\$ 6,071,453</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 203,934	\$ 521	\$ 11,763	\$ 216,218
Unearned Revenue (Note 11)	6,025			6,025
	<u>6,025</u>			<u>6,025</u>
Total Liabilities	<u>209,959</u>	<u>521</u>	<u>11,763</u>	<u>222,243</u>
Fund Balances: (Note 9)				
Nonspendable	35,996			35,996
Restricted	77,166	15,350	286,087	378,603
Committed	22,394		202,912	225,306
Assigned	86,418	1,073,148		1,159,566
Unassigned	4,049,739			4,049,739
	<u>4,049,739</u>			<u>4,049,739</u>
Total Fund Balances	<u>4,271,713</u>	<u>1,088,498</u>	<u>488,999</u>	<u>5,849,210</u>
Total Liabilities and Fund Balances	<u>\$ 4,481,672</u>	<u>\$ 1,089,019</u>	<u>\$ 500,762</u>	<u>\$ 6,071,453</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, 2018

Total Fund Balances - Governmental Funds	\$	5,849,210
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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	\$ 4,686,005	
Accumulated Depreciation	(2,932,828)	
Net		1,753,177

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:

627,388

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	52,561	
Net Pension Liabilities	2,714,180	
		(2,766,741)

Total Net Position - Governmental Activities	\$	5,463,034
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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, 2018**

	<u>General</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 497,444			\$ 497,444
Local Taxes	1,416,306			1,416,306
Total LCFF Sources	1,913,750			1,913,750
Federal Revenue	403,454		\$ 70,953	474,407
State Revenue	304,325		66,922	371,247
Local Revenue	306,696	\$ 16,420	10,640	333,756
Total Revenues	2,928,225	16,420	148,515	3,093,160
<u>Expenditures</u>				
Current:				
Instruction	1,076,719		38,280	1,114,999
Supervision of Instruction	653			653
Instructional Library and Technology	224,308			224,308
School Site Administration	198,088		734	198,822
Home-To-School Transportation	156,953			156,953
Food Services			94,331	94,331
Other Pupil Services	48,773			48,773
Data Processing Services	23,106			23,106
Other General Administration	549,366		5,272	554,638
Plant Services	283,823	522	225	284,570
Facilities Acquisition and Construction	116,833		44,315	161,148
Ancillary Services	14,427			14,427
Community Services	57			57
Total Expenditures	2,693,106	522	183,157	2,876,785
Excess of Revenues Over (Under) Expenditures	235,119	15,898	(34,642)	216,375
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	104,823		63,318	168,141
Operating Transfers Out	(63,318)			(63,318)
Total Other Financing Sources (Uses)	41,505	0	63,318	104,823
Net Change in Fund Balances	276,624	15,898	28,676	321,198
Fund Balances - July 1, 2017	3,995,089	1,072,600	460,323	5,528,012
Fund Balances - June 30, 2018	\$ 4,271,713	\$ 1,088,498	\$ 488,999	\$ 5,849,210

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, 2018

Net Change in Fund Balances - Governmental Funds	\$	321,198
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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	\$	170,374	
Depreciation Expense		(129,594)	
Net			40,780

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:

(9,512)

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:

(205,919)

Internal service funds - Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in the internal service fund was:

(104,823)

Change in Net Position of Governmental Activities	\$	41,724
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**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

	Governmental Activities
	Internal Service Fund
<u>Assets</u>	
Deposits and Investments	\$ 0
Total Assets	0
<u>Net Position</u>	
Restricted	0
Total Net Position	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities
	Internal Service Fund
<u>Non-Operating Expenses</u>	
Transfers Out - General Fund	\$ 104,823
Change in Net Position	(104,823)
Net Position - July 1, 2017	104,823
Net Position - June 30, 2018	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities
	Internal Service Fund
<u>Cash Flows from Non-Operating Activities:</u>	
Transfers Out - General Fund	\$ (104,823)
Decrease in Deposits and Investments	(104,823)
Deposits and Investments Balance - July 1, 2017	104,823
Deposits and Investments Balance - June 30, 2018	\$ 0

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

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 Internal Service Fund is presented on the proprietary fund statements.

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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases and decreases in net assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's proprietary fund was closed as of June 30, 2018.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Proprietary fiduciary funds use the accrual basis of accounting.

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.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/Expenditures (Concluded):

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.

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.

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, non-major and proprietary 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 *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:

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, 2018

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

Proprietary Fund:

Internal Service Funds are used to account for services rendered on a cost reimbursement basis within the District. The District maintains one internal service fund, the Self Insurance Fund, which was originally used to account for the revenues and expenses associated with providing medical benefits to District employees. The remaining balance in the fund was transferred to the General Fund during fiscal year 2017-18 and the fund was closed.

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 53.

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, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

I. 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.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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:

<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.

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.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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. In the fund financial statements, the face amount of the obligation is reported as other financing sources.

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, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. 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, 2018, consist of the following:

Cash on Hand and in Banks	\$ 100
Cash in Revolving Fund	10,000
County Pool Investments	<u>5,869,302</u>
Total	<u><u>\$ 5,879,402</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 owned by the District.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 County pool.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 5,869,302	\$ 5,812,992	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, 2018, 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, 2018

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, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 5,812,992	\$ 5,812,992

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

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2018 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 5,132	\$ 1,698	\$ 6,830
State Government		139	139
Local Governments	64,595		64,595
Miscellaneous	8,983		8,983
Totals	<u>\$ 78,710</u>	<u>\$ 1,837</u>	<u>\$ 80,547</u>

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, are as follows:

<u>Year Ended June 30</u>	<u>Note Receivable</u>
2019	\$ 66,427
2020	<u>22,142</u>
Total payments	88,569
Less amount representing interest	<u>(3,061)</u>
Present value of loan payments receivable	<u><u>\$ 85,508</u></u>

NOTE 5 - INTERFUND ACTIVITIES

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 2017-18 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 104,823	\$ 63,318
Deferred Maintenance	26,521	
Cafeteria	<u>36,797</u>	
Subtotals	168,141	63,318
Self Insurance		<u>104,823</u>
Totals	<u><u>\$ 168,141</u></u>	<u><u>\$ 168,141</u></u>

Transfer of \$36,797 from the General Fund to the Cafeteria Fund to support the child nutrition program.

Transfer of \$104,823 from the Self Insurance Fund to the General Fund to close the fund.

Transfer of \$26,521 from the General Fund to the Deferred Maintenance Fund for future deferred maintenance projects.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 140,370			\$ 140,370
Construction-in-Progress	39,930	\$ 69,355		109,285
Total Capital Assets Not Being Depreciated	180,300	69,355	\$ 0	249,655
Capital Assets Being Depreciated:				
Sites and Improvements	733,020	25,925		758,945
Buildings and Improvements	2,743,173			2,743,173
Furniture and Equipment	859,138	75,094		934,232
Total Capital Assets Being Depreciated	4,335,331	101,019	0	4,436,350
Less Accumulated Depreciation:				
Sites and Improvements	425,283	27,646		452,929
Buildings and Improvements	1,648,167	75,945		1,724,112
Furniture and Equipment	729,784	26,003		755,787
Total Accumulated Depreciation	2,803,234	129,594	0	2,932,828
Total Capital Assets Being Depreciated, Net	1,532,097	(28,575)	0	1,503,522
Governmental Activities Capital Assets, Net	\$ 1,712,397	\$ 40,780	\$ 0	\$ 1,753,177

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 56,309
Instruction-Related Services	19,968
Pupil Services	12,955
General Administration	27,546
Plant Services	12,816
Total	<u>\$ 129,594</u>

NOTE 7 - 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:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - RETIREMENT PLANS (CONTINUED)

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 1,701,456	\$ 516,910	\$ 190,030	\$ 215,194
CalPERS	1,012,724	375,284	74,776	267,202
Totals	<u>\$ 2,714,180</u>	<u>\$ 892,194</u>	<u>\$ 264,806</u>	<u>\$ 482,396</u>

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, 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.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

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.

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:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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

Members: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), 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 2017-18. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2017-18.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), the employer contribution rate was 14.43% of applicable member earnings for fiscal year 2017-18. The District contributed \$121,882 to the plan for the fiscal year ended June 30, 2018.

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, 2018 was 4.811%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.328% for the fiscal year ended June 30, 2018.

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, 2018, 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	\$ 1,701,456
State's proportionate share of the net pension liability associated with the District	<u>1,006,567</u>
Total net pension liability attributed to District	<u><u>\$ 2,708,023</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0018%
Proportion - June 30, 2016	<u>0.0017%</u>
Change - Increase (Decrease)	<u><u>0.0001%</u></u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$215,194, which includes \$81,849 of support provided by the State. At June 30, 2018, 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, 2018

NOTE 7 - 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	\$ 121,882	
Differences between expected and actual experience	6,294	\$ 27,990
Changes of assumptions	315,204	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	73,530	101,296
Net differences between projected and actual earnings on plan investments		60,744
Totals	<u>\$ 516,910</u>	<u>\$ 190,030</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, 2019. 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	
2019	\$ (11,757)
2020	59,229
2021	36,128
2022	(5,564)
2023	61,124
2024	65,838

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, 2017. 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, 2018

NOTE 7 - 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, 2016, and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions ^{1,2}:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ³	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 For the purpose of determining the total pension liability, the assumptions used in the June 30, 2016, financial reporting actuarial valuation, were applied to all periods prior to July 1, 2017. The assumptions applied to those periods on and after July 1, 2017 are reflected in the table above.

² The assumptions for investment rate of return, inflation, and wage growth used in the June 30, 2016, financial reporting actuarial valuation were 7.60%, 3.00% and 3.75%, respectively.

³ 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 CalSTRS July 1, 2010 - June 30, 2015 Experience Analysis, adopted by the board in February 2017, is available on the CalSTRS website for more information regarding the mortality assumptions.

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.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return / 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 will be 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 and benefit payments 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:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 2,498,278	\$ 1,701,456	\$ 1,054,782

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - 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 6.5% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 15.531% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2018 was \$72,745.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - 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, 2018, the District reported a liability of \$1,012,724 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0042%
Proportion - June 30, 2016	<u>0.0046%</u>
Change - Increase (Decrease)	<u><u>-0.0004%</u></u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$267,202. At June 30, 2018, 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	\$ 72,745	
Differences between expected and actual experience	39,736	
Changes of assumptions	147,924	\$ 14,710
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	56,344	60,066
Net differences between projected and actual earnings on plan investments	<u>58,535</u>	
Totals	<u><u>\$ 375,284</u></u>	<u><u>\$ 74,776</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, 2019. 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, 2018

NOTE 7 - 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	
2019	\$ 105,243
2020	82,630
2021	59,074
2022	(19,184)

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, 2017. Differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. 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, 2018

NOTE 7 - 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%. Projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 long-term 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. These geometric rates of return are net of administrative and investment expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

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

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

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - 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	\$ 1,490,041	\$ 1,012,724	\$ 616,749

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 8 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2018, are shown below:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due within One Year
Compensated Absences	\$ 43,049	\$ 52,561	\$ 43,049	\$ 52,561	\$ 52,561
Net Pension Liabilities	2,299,423	414,757		2,714,180	
Totals	<u>\$ 2,342,472</u>	<u>\$ 467,318</u>	<u>\$ 43,049</u>	<u>\$ 2,766,741</u>	<u>\$ 52,561</u>

All long-term liabilities are obligations of the General Fund and Cafeteria Fund.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - FUND BALANCES

The District's fund balances at June 30, 2018 consisted of the following:

	General Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:				
Revolving Cash	\$ 10,000			\$ 10,000
Prepaid Expenditures	25,996			25,996
Total Nonspendable	35,996			35,996
Restricted:				
Categorical Programs	77,166	\$ 15,350		92,516
Adult Education Programs			\$ 124,311	124,311
Capital Projects			161,776	161,776
Total Restricted	77,166	15,350	286,087	378,603
Committed:				
Deferred Maintenance	22,394		202,912	225,306
Assigned:				
Facilities Projects		1,073,148		1,073,148
Other Assignments	86,418			86,418
Total Unassigned	86,418	1,073,148		1,159,566
Unassigned:				
Reserve for Economic Uncertainties	4,010,085			4,010,085
Remaining Unassigned Balances	39,654			39,654
Total Unassigned	4,049,739			4,049,739
Totals	\$ 4,271,713	\$ 1,088,498	\$ 488,999	\$ 5,849,210

NOTE 10 - 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 California State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$81,849. These contributions are recorded in the General Fund as revenue and expenditures. The District is not legally responsible for these contributions.

NOTE 11 - 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 \$85,508, as of June 30, 2018, 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, 2018

NOTE 12 - 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 2017-18, 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 13 - 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 14 - 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.

C. Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to unfinished capital projects:

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Construction Commitments (Concluded)

<u>Capital Projects</u>	<u>Estimated Construction Commitment</u>	<u>Expected Date of Completion</u>
Bear Valley School Building	\$ 577,400	June 2019
Proposition 39 Projects	141,947	November 2018
	<u>\$ 719,347</u>	

NOTE 15 - 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, 2018, 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, except as noted below.

General Obligation Bonds - Measure B

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 finance the renovation, construction, and improvement of school facilities.

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 501,470	\$ 501,470	\$ 497,444	\$ (4,026)
Local Sources	1,340,322	1,340,322	1,416,306	75,984
Total LCFF Sources	1,841,792	1,841,792	1,913,750	71,958
Federal Revenue	373,968	443,752	403,454	(40,298)
Other State Revenue	186,167	292,369	304,325	11,956
Other Local Revenue	164,162	290,105	306,696	16,591
Total Revenues	2,566,089	2,868,018	2,928,225	60,207
<u>Expenditures</u>				
Current:				
Certificated Salaries	932,570	824,244	841,073	(16,829)
Classified Salaries	568,452	489,605	521,235	(31,630)
Employee Benefits	600,208	590,717	580,804	9,913
Books and Supplies	106,633	150,705	107,966	42,739
Services and Other				
Operating Expenditures	635,751	765,958	541,245	224,713
Capital Outlay	25,000	273,339	106,055	167,284
Other Expenditures	(5,335)	(5,335)	(5,272)	(63)
Total Expenditures	2,863,279	3,089,233	2,693,106	396,127
Excess of Revenues Over (Under) Expenditures	(297,190)	(221,215)	235,119	456,334
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In		104,823	104,823	
Operating Transfers Out	(53,566)	(80,087)	(63,318)	16,769
Total Other Financing Sources (Uses)	(53,566)	24,736	41,505	16,769
Net Change in Fund Balances	(350,756)	(196,479)	276,624	\$ 473,103
Fund Balances - July 1, 2017	3,995,089	3,995,089	3,995,089	
Fund Balances - June 30, 2018	\$ 3,644,333	\$ 3,798,610	\$ 4,271,713	

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2018

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
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.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

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

JUNE 30, 2018

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	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
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, 2018

<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>
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, 2018

<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>
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, 2018

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, 2018 were as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Certificated Salaries	\$ 16,829
Classified Salaries	31,630
Other Expenditures	63

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, 2018

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Terms

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 2016-17, CalSTRS completed an experience study for the period starting July 1, 2010, and ending on June 30, 2015. CalSTRS changed its mortality assumptions based on this experience study, which was adopted by the board in February 2017. As a result of the study, CalSTRS also changed the following assumptions used in determining the NPL as follows:

<u>Assumption</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.50%	3.75%

During fiscal year 2016-17, CalPERS changed the financial reporting discount rate from 7.65% to 7.15%.

SUPPLEMENTARY INFORMATION SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 one elementary school and a community day school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Clint Celio	President	January, 2019
Amy Mecak	Clerk	January, 2021
Anthony Holdridge	Member	January, 2019
Geoff Ellis	Member	January, 2019
Rachael Brothers	Member	January, 2021

ADMINISTRATION

Patrick Traynor, Ph.D.
Superintendent

Klaus Leitenbauer
Business Manager

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Deferred Maintenance	Cafeteria	Adult Education	Capital Facilities	Total Non-Major Governmental Funds
<u>Assets</u>					
Deposits and Investments	\$ 214,537	\$ (1,699)	\$ 124,311	\$ 161,776	\$ 498,925
Receivables		1,837			1,837
Total Assets	<u>\$ 214,537</u>	<u>\$ 138</u>	<u>\$ 124,311</u>	<u>\$ 161,776</u>	<u>\$ 500,762</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 11,625	\$ 138			\$ 11,763
Fund Balances:					
Restricted			\$ 124,311	\$ 161,776	286,087
Committed	202,912				202,912
Total Fund Balances	<u>202,912</u>	<u>0</u>	<u>124,311</u>	<u>161,776</u>	<u>488,999</u>
Total Liabilities and Fund Balances	<u>\$ 214,537</u>	<u>\$ 138</u>	<u>\$ 124,311</u>	<u>\$ 161,776</u>	<u>\$ 500,762</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**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, 2018**

	Deferred Maintenance	Cafeteria	Adult Education	Capital Facilities	Total Non-Major Governmental Funds
<u>Revenues</u>					
Federal Revenue		\$ 70,953			\$ 70,953
State Revenue		4,345	\$ 62,577		66,922
Local Revenue	\$ 2,345	655		\$ 7,640	10,640
Total Revenues	2,345	75,953	62,577	7,640	148,515
<u>Expenditures</u>					
Current:					
Instruction			38,280		38,280
School Site Administration			734		734
Food Services		94,331			94,331
Other General Administration		5,272			5,272
Plant Services	225				225
Facilities Acquisition and Construction	26,234	18,081			44,315
Total Expenditures	26,459	117,684	39,014	0	183,157
Excess of Revenues Over (Under) Expenditures	(24,114)	(41,731)	23,563	7,640	(34,642)
<u>Other Financing Sources</u>					
Operating Transfers In	26,521	36,797			63,318
Net Change in Fund Balances	2,407	(4,934)	23,563	7,640	28,676
Fund Balances - July 1, 2017	200,505	4,934	100,748	154,136	460,323
Fund Balances - June 30, 2018	\$ 202,912	\$ 0	\$ 124,311	\$ 161,776	\$ 488,999

SEE NOTES TO SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

P-2 Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	26.98	30.07	16.73	73.78
Annual Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	26.62	30.39	16.67	73.68

SEE NOTES TO SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	64,800	180	N/A	In Compliance
Grade 1	50,400	59,400	180	N/A	In Compliance
Grade 2	50,400	59,400	180	N/A	In Compliance
Grade 3	50,400	59,400	180	N/A	In Compliance
Grade 4	54,000	59,400	180	N/A	In Compliance
Grade 5	54,000	59,400	180	N/A	In Compliance
Grade 6	54,000	59,400	180	N/A	In Compliance
Grade 7	54,000	59,400	180	N/A	In Compliance
Grade 8	54,000	59,400	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, 2018

	General Fund	Pupil Transportation Fund	Cafeteria Fund
June 30, 2018 Annual Financial and Budget Report Fund Balances	\$ 4,188,492	\$ 43,567	\$ 4,934
Adjustments and Reclassifications Increasing (Decreasing) Fund Balances:			
Understatement of Food Services Expenditures			(4,934)
Overstatement of Capital Outlay Expenditures	39,654		
Reclassification of Fund Balances	43,567	(43,567)	
Total Adjustments and Reclassifications	83,221	(43,567)	(4,934)
June 30, 2018 Audited Financial Statements Fund Balances	\$ 4,271,713	\$ 0	\$ 0

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, 2018.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND			
	(Budget) 2018-19	2017-18	2016-17	2015-16
Revenues and Other Financial Sources	\$ 2,725,901	\$ 3,033,048	\$ 2,819,620	\$ 2,884,009
Expenditures	3,017,206	2,693,106	2,674,214	2,693,489
Other Uses and Transfers Out	57,604	63,318	57,162	60,447
Total Outgo	3,074,810	2,756,424	2,731,376	2,753,936
Change in Fund Balance	(348,909)	276,624	88,244	130,073
Ending Fund Balance	\$ 3,922,804	\$ 4,271,713	\$ 3,995,089	\$ 3,906,845
Available Reserves	\$ 3,717,999	\$ 4,049,739	\$ 3,790,697	\$ 3,734,876
Reserve for Economic Uncertainties *	\$ 3,717,999	\$ 4,010,085	\$ 3,790,697	\$ 3,734,876
Available Reserves as a Percentage of Total Outgo	120.9%	146.9%	138.8%	135.6%
Average Daily Attendance at P-2	79	74	77	79
Total Long-Term Liabilities	\$ 2,714,180	\$ 2,766,741	\$ 2,342,472	\$ 1,934,530

* Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$364,868 (9.3%) over the past two years. The fiscal year 2018-19 budget projects a decrease of \$348,909 (8.2%). 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 produced operating surpluses in each of the past three fiscal years.

Average daily attendance (ADA) decreased 5 ADA over the past two years. The District anticipates an increase of 5 ADA during fiscal year 2018-19.

Total long-term liabilities increased \$832,211 over the past two years due primarily to 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, 2018

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 *2017-18 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, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each 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 *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards 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. 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
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No (see below)
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. We did not perform procedures for the California Clean Energy Jobs Act because the District did not have any program expenditures to date.

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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 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 **Finding 2018-001**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

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

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 *2017-18 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, 2018

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, 2018, 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, 2018.

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, 2018

FINDINGS AND QUESTIONED COSTS SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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>2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting</i> ?	<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, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2018.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018 - 001 / 40000

EDUCATOR EFFECTIVENESS

Criteria: In accordance with Senate Bill 103, Section 8 of the Budget Act of 2015, as a condition of receiving Educator Effectiveness funds, a school district, county office of education, charter school, or state special school is required to:

1. Develop and adopt a plan delineating how the Educator Effectiveness funds will be spent. The plan must be explained in a public meeting of the governing board of the school district or county board of education, or governing body of the charter school, before its adoption in a subsequent public meeting.
2. On or before July 1, 2018, report detailed expenditure information to the California Department of Education (CDE), including, but not limited to, specific purchases made and the number of teachers, administrators, or paraprofessional educators that received professional development.

For standardized account code structure coding, the California Department of Education instructed districts and county offices to use resource code 6264 to record the revenues and expenditures of the Educator Effectiveness program.

Condition: The District developed and adopted a plan and reported detailed expenditures information to the CDE in accordance with both requirements in the criteria. The District however, reported expenditures of \$21,265 to the CDE on the Educator Effectiveness Final Expenditures Report for Expenditures Between July 1, 2015 and June 30, 2018, when they actually expended \$10,459 as of June 30, 2018 in resource 6264.

Subsequent to submitting the final expenditures report to CDE, the District discovered \$1,520 of additional expenditures that should have been recorded to the Educator Effectiveness resource.

Questioned Costs: \$9,286. The amount not expended as of June 30, 2018, which includes the \$1,520 expenditures discussed above.

Context: Expenditures reported on the Educator Effectiveness Final Expenditures Report for Expenditures Between July 1, 2015 and June 30, 2018 were submitted to the CDE on June 29, 2018.

Effect: The District overstated Educator Effectiveness funds expenditures reported to the CDE as of June 30, 2018.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

EDUCATOR EFFECTIVENESS (CONCLUDED)

<u>Cause:</u>	The District was under the impression that the Educator Effectiveness funds were expended as of June 30, 2018.
<u>Recommendation:</u>	The District should contact the CDE to determine the procedure for returning the unspent funds.
<u>District Response:</u>	The District agrees with the audit finding. It appears after the District developed and adopted plans for expending the funds in 2015/16, delays in program implementation along with subsequent grants received to fund similar expenditures led to not all the Educator Effectiveness Funds being spent. The District believed all the funds had been spent at the time of reporting expenditures to CDE and upon subsequent examination of detailed documentation realized that was not the case.

**ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
2017 - 001 / 10000		
<u>ATTENDANCE REPORTING</u>		
The District should establish procedures to ensure that attendance worksheets and the attendance reports are independently reviewed for accuracy and completeness prior to submitting the attendance reports to the state. In addition, the District should submit a revised P-2 attendance report for fiscal year 2016-17.	Implemented	