

# ALAMEDA UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2017

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**ALAMEDA UNIFIED SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2017**

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Alameda Unified School District  
Alameda, 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 Alameda Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Alameda Unified School 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.

Christy White, CPA

Michael D. Ash, CPA

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*State Board of Accountancy*

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 Alameda Unified School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alameda Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 relates 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017 on our consideration of Alameda 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 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 Alameda Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
November 3, 2017

**ALAMEDA UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

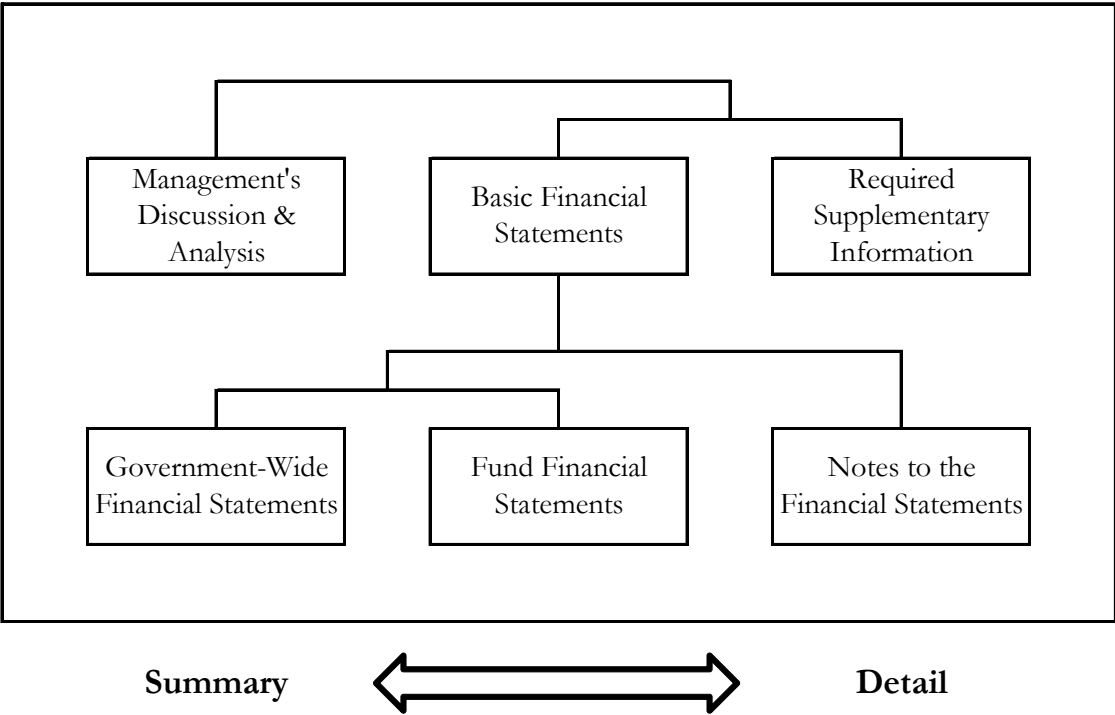
Our discussion and analysis of Alameda Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ Total net position was (\$63,279,647) at June 30, 2017. This was a decrease of \$1,555,930 from the prior year.
- ▶ Overall revenues were \$133,816,388 which were less than expenses of \$135,372,318.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**





**ALAMEDA UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. 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 financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net Position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding federal and state grants finance most of these activities.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was (\$63,279,647) at June 30, 2017, as reflected in the table below. Of this amount, a deficit of \$109,728,817 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$125,245,942	\$146,331,114	\$ (21,085,172)
Capital assets	100,223,595	85,837,674	14,385,921
<b>Total Assets</b>	<b>225,469,537</b>	<b>232,168,788</b>	<b>(6,699,251)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>23,494,442</b>	<b>12,221,260</b>	<b>11,273,182</b>
<b>LIABILITIES</b>			
Current liabilities	23,406,872	21,733,188	1,673,684
Long-term liabilities	283,160,322	275,956,153	7,204,169
<b>Total Liabilities</b>	<b>306,567,194</b>	<b>297,689,341</b>	<b>8,877,853</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>5,676,432</b>	<b>8,424,424</b>	<b>(2,747,992)</b>
<b>NET POSITION</b>			
Net investment in capital assets	20,603,117	15,169,669	5,433,448
Restricted	25,846,053	26,716,753	(870,700)
Unrestricted	(109,728,817)	(103,610,139)	(6,118,678)
<b>Total Net Position</b>	<b>\$ (63,279,647)</b>	<b>\$ (61,723,717)</b>	<b>\$ (1,555,930)</b>

**ALAMEDA UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 915,515	\$ 767,078	\$ 148,437
Operating grants and contributions	25,158,721	22,577,375	2,581,346
General revenues			
Property taxes	54,940,855	52,542,814	2,398,041
Unrestricted federal and state aid	49,700,861	51,585,641	(1,884,780)
Other	3,100,436	2,557,543	542,893
<b>Total Revenues</b>	<b>133,816,388</b>	<b>130,030,451</b>	<b>3,785,937</b>
<b>EXPENSES</b>			
Instruction	80,037,398	71,502,861	8,534,537
Instruction-related services	13,020,075	12,256,833	763,242
Pupil services	12,101,098	10,563,872	1,537,226
General administration	7,544,326	7,208,402	335,924
Plant services	11,890,907	11,843,116	47,791
Ancillary and community services	2,101,970	1,734,980	366,990
Debt service	8,081,094	9,124,236	(1,043,142)
Other Outgo	595,450	169,761	425,689
<b>Total Expenses</b>	<b>135,372,318</b>	<b>124,404,061</b>	<b>10,968,257</b>
<b>Change in net position</b>	<b>(1,555,930)</b>	<b>5,626,390</b>	<b>(7,182,320)</b>
<b>Net Position - Beginning</b>	<b>(61,723,717)</b>	<b>(67,350,107)</b>	<b>5,626,390</b>
<b>Net Position - Ending</b>	<b>\$ (63,279,647)</b>	<b>\$ (61,723,717)</b>	<b>\$ (1,555,930)</b>

**ALAMEDA UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

The total cost of all our governmental activities this year was \$135,372,318, while net cost of activities was \$109,298,082 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was \$54,940,855, the remaining cost was paid by other governments and organizations who subsidized certain programs with grants and contributions \$78,875,533.

	<b>Net Cost of Services</b>	
	<b>2017</b>	<b>2016</b>
Instruction	\$ 62,548,591	\$ 57,112,446
Instruction-related services	11,460,781	9,909,608
Pupil services	8,227,641	6,922,526
General administration	6,762,496	6,332,970
Plant services	10,954,422	11,738,289
Ancillary and community services	1,412,680	1,006,014
Debt service	8,081,094	9,124,236
Transfers to other agencies	(149,623)	(1,086,481)
<b>Total Expenses</b>	<b>\$ 109,298,082</b>	<b>\$ 101,059,608</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$115,807,020, which is less than last year’s ending fund balance of \$136,152,548. The District’s General Fund had \$153,284 more in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$18,526,689 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Bond Interest and Redemption Fund had \$3,658,289 less in operating revenues than expenditures for the year ended June 30, 2017.

**CURRENT YEAR BUDGET 2016-17**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2016-17 the District had invested \$100,223,595 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 4,794,916	\$ 4,794,916	\$ -
Construction in progress	18,889,695	8,322,720	10,566,975
Land improvements	9,148,451	5,919,467	3,228,984
Buildings & improvements	142,641,328	136,060,047	6,581,281
Furniture & equipment	4,727,749	4,591,568	136,181
Accumulated depreciation	(79,978,544)	(73,851,044)	(6,127,500)
<b>Total Capital Assets</b>	<b>\$100,223,595</b>	<b>\$ 85,837,674</b>	<b>\$ 14,385,921</b>

**Long-Term Liabilities**

At year-end, the District had \$283,160,322 in long-term liabilities, an increase of 3% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$187,136,956	\$194,353,422	\$ (7,216,466)
Compensated absences	319,043	599,535	(280,492)
Net OPEB obligation	4,875,523	4,224,280	651,243
Net pension liability	103,076,995	86,358,856	16,718,139
Less: current portion of long-term debt	(12,248,195)	(9,579,940)	(2,668,255)
<b>Total Long-term Liabilities</b>	<b>\$283,160,322</b>	<b>\$275,956,153</b>	<b>\$ 7,204,169</b>

**ALAMEDA UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and Casts rates increases and rising health care costs.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2017. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2017-18 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at 2060 Challenger Drive, Alameda, California 94501.

ALAMEDA UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 120,111,839
Accounts receivable	5,079,231
Inventory	54,872
Capital assets, not depreciated	23,684,611
Capital assets, net of accumulated depreciation	76,538,984
<b>Total Assets</b>	<b>225,469,537</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	23,431,481
Deferred amount on refunding	62,961
<b>Total Deferred Outflows of Resources</b>	<b>23,494,442</b>
<b>LIABILITIES</b>	
Accrued liabilities	10,287,740
Unearned revenue	870,937
Long-term liabilities, current portion	12,248,195
Long-term liabilities, non-current portion	283,160,322
<b>Total Liabilities</b>	<b>306,567,194</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	5,676,432
<b>Total Deferred Inflows of Resources</b>	<b>5,676,432</b>
<b>NET POSITION</b>	
Net investment in capital assets	20,603,117
Restricted:	
Capital projects	6,671,621
Debt service	13,663,689
Educational programs	4,768,757
All others	741,986
Unrestricted	(109,728,817)
<b>Total Net Position</b>	<b>\$ (63,279,647)</b>

The accompanying notes are an integral part of these financial statements.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 80,037,398	\$ 62,766	\$ 17,426,041	\$ (62,548,591)
Instruction-related services				
Instructional supervision and administration	3,419,976	9,893	762,191	(2,647,892)
Instructional library, media, and technology	943,587	10	13,606	(929,971)
School site administration	8,656,512	5,950	767,644	(7,882,918)
Pupil services				
Home-to-school transportation	2,750,801	-	-	(2,750,801)
Food services	3,079,134	773,573	2,088,609	(216,952)
All other pupil services	6,271,163	1,163	1,010,112	(5,259,888)
General administration				
Centralized data processing	1,723,357	39	12,763	(1,710,555)
All other general administration	5,820,969	43,296	725,732	(5,051,941)
Plant services	11,890,907	16,958	919,527	(10,954,422)
Ancillary services	1,957,291	61	615,340	(1,341,890)
Community services	144,679	-	73,889	(70,790)
Interest on long-term debt	8,081,094	-	-	(8,081,094)
Other Outgo	595,450	1,806	743,267	149,623
<b>Total Governmental Activities</b>	<b>\$ 135,372,318</b>	<b>\$ 915,515</b>	<b>\$ 25,158,721</b>	<b>(109,298,082)</b>
General revenues				
Taxes and subventions				
				30,322,988
				11,796,902
				12,820,965
				49,700,861
				270,251
				534,699
				2,295,486
<b>Subtotal, General Revenue</b>				
				<b>107,742,152</b>
<b>CHANGE IN NET POSITION</b>				
				(1,555,930)
<b>Net Position - Beginning</b>				
				(61,723,717)
<b>Net Position - Ending</b>				
				<b>\$ (63,279,647)</b>

The accompanying notes are an integral part of these financial statements.



**ALAMEDA UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 30,774,098	\$ 66,796,451	\$ 15,357,022	\$ 7,184,268	\$ 120,111,839
Accounts receivable	3,995,374	110,240	26,422	947,195	5,079,231
Stores inventory	-	-	-	54,872	54,872
<b>Total Assets</b>	<b>\$ 34,769,472</b>	<b>\$ 66,906,691</b>	<b>\$ 15,383,444</b>	<b>\$ 8,186,335</b>	<b>\$ 125,245,942</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 6,403,069	\$ 2,079,871	\$ -	\$ 85,045	\$ 8,567,985
Unearned revenue	870,937	-	-	-	870,937
<b>Total Liabilities</b>	<b>7,274,006</b>	<b>2,079,871</b>	<b>-</b>	<b>85,045</b>	<b>9,438,922</b>
<b>FUND BALANCES</b>					
Nonspendable	50,000	-	-	55,880	105,880
Restricted	4,178,863	64,826,820	15,383,444	8,003,501	92,392,628
Committed	4,956,628	-	-	-	4,956,628
Assigned	4,497,953	-	-	41,909	4,539,862
Unassigned	13,812,022	-	-	-	13,812,022
<b>Total Fund Balances</b>	<b>27,495,466</b>	<b>64,826,820</b>	<b>15,383,444</b>	<b>8,101,290</b>	<b>115,807,020</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 34,769,472</b>	<b>\$ 66,906,691</b>	<b>\$ 15,383,444</b>	<b>\$ 8,186,335</b>	<b>\$ 125,245,942</b>

The accompanying notes are an integral part of these financial statements.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2017**

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**Total Fund Balance - Governmental Funds** \$ 115,807,020

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 180,202,139	
Accumulated depreciation	(79,978,544)	100,223,595

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

62,961

Unmatured interest on long-term debt:

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

(1,719,755)

Long-term liabilities:

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

Total general obligation bonds	\$ 187,136,956	
Compensated absences	319,043	
Net OPEB obligation	4,875,523	
Net pension liability	103,076,995	(295,408,517)

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.

Deferred outflows of resources related to pensions	\$ 23,431,481	
Deferred inflows of resources related to pensions	(5,676,432)	17,755,049

**Total Net Position - Governmental Activities** \$ (63,279,647)

The accompanying notes are an integral part of these financial statements.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 76,319,601	\$ -	\$ -	\$ -	\$ 76,319,601
Federal sources	3,535,314	-	-	2,591,341	6,126,655
Other state sources	9,136,321	-	89,563	2,138,020	11,363,904
Other local sources	19,576,415	525,584	11,798,911	3,508,558	35,409,468
<b>Total Revenues</b>	<b>108,567,651</b>	<b>525,584</b>	<b>11,888,474</b>	<b>8,237,919</b>	<b>129,219,628</b>
<b>EXPENDITURES</b>					
Current					
Instruction	69,173,613	-	-	1,814,303	70,987,916
Instruction-related services					
Instructional supervision and administration	2,849,210	-	-	159,411	3,008,621
Instructional library, media, and technology	833,405	-	-	-	833,405
School site administration	7,118,987	-	-	456,487	7,575,474
Pupil services					
Home-to-school transportation	2,248,182	-	-	-	2,248,182
Food services	-	-	-	2,850,431	2,850,431
All other pupil services	5,677,178	-	-	95,075	5,772,253
General administration					
Centralized data processing	1,682,229	-	-	-	1,682,229
All other general administration	4,904,632	-	-	266,660	5,171,292
Plant services					
Facilities acquisition and maintenance	1,793,204	33,777	-	833,416	10,466,529
Ancillary services	1,808,558	19,018,496	-	75,472	20,887,172
Community services	130,881	-	-	-	130,881
Transfers to other agencies	594,952	-	-	-	594,952
Debt service					
Principal	-	-	9,156,745	-	9,156,745
Interest and other	-	-	6,390,018	-	6,390,018
<b>Total Expenditures</b>	<b>108,414,367</b>	<b>19,052,273</b>	<b>15,546,763</b>	<b>6,551,255</b>	<b>149,564,658</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>153,284</b>	<b>(18,526,689)</b>	<b>(3,658,289)</b>	<b>1,686,664</b>	<b>(20,345,030)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers out	(498)	-	-	-	(498)
<b>Net Financing Sources (Uses)</b>	<b>(498)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(498)</b>
<b>NET CHANGE IN FUND BALANCE</b>					
<b>Fund Balance - Beginning, as restated (see note 16)</b>	<b>152,786</b>	<b>(18,526,689)</b>	<b>(3,658,289)</b>	<b>1,686,664</b>	<b>(20,345,528)</b>
<b>Fund Balance - Ending</b>	<b>27,342,680</b>	<b>83,353,509</b>	<b>19,041,733</b>	<b>6,414,626</b>	<b>136,152,548</b>
	\$ 27,495,466	\$ 64,826,820	\$ 15,383,444	\$ 8,101,290	\$ 115,807,020

The accompanying notes are an integral part of these financial statements.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Net Change in Fund Balances - Governmental Funds** \$ (20,345,528)

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

**Capital outlay:**

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

Expenditures for capital outlay:	\$ 20,513,421	
Depreciation expense:	<u>(6,127,500)</u>	14,385,921

**Debt service:**

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

9,156,745

**Deferred amounts on refunding:**

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(5,724)

**Unmatured interest on long-term debt:**

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

254,927

**Accreted interest on long-term debt:**

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(2,363,474)

*continued on the following page*

**ALAMEDA UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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Compensated absences:

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

280,492

Postemployment benefits other than pensions (OPEB):

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

(651,243)

Pensions:

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

(2,691,241)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

423,195

**Change in Net Position of Governmental Activities**

**\$ (1,555,930)**

ALAMEDA UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017

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	<u>Trust Funds</u>	<u>Agency Funds</u>
	<u>Private-Purpose</u>	<u>Student Body</u>
	<u>Trust Fund</u>	<u>Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 409,750	\$ 360,869
Accounts receivable	664	-
<b>Total Assets</b>	<u>410,414</u>	<u>\$ 360,869</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 360,869
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 360,869</u>
<b>NET POSITION</b>		
Restricted	410,414	
<b>Total Net Position</b>	<u>\$ 410,414</u>	

The accompanying notes are an integral part of these financial statements.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

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	<u>Trust Funds</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 2,933
Other	1,905
Interfund transfers in and other sources	498
<b>Total Additions</b>	<u>5,336</u>
<b>DEDUCTIONS</b>	
Other trust activities	21,700
<b>Total Deductions</b>	<u>21,700</u>
<b>CHANGE IN NET POSITION</b>	(16,364)
<b>Net Position - Beginning</b>	<u>426,778</u>
<b>Net Position - Ending</b>	<u>\$ 410,414</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Alameda Unified School District (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).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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 no such component units.

C. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

**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 expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Scholarship Fund and Private-Purpose Trust Fund:** These funds are used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

**Government-Wide and Fiduciary Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Governmental Funds**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. **Basis of Accounting – Measurement Focus (*continued*)**

**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. On a 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. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts 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 the 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 potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

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. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 – 50 years
Furniture and Equipment	5 – 15 years
Vehicles	8 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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 because 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.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Deferred Outflows/Deferred 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 (revenue) until that time.

**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 defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board. The District currently does not have any committed funds.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.



ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements and Changes in Accounting Principals

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard’s primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has no component units.

**GASB Statement No. 82** – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Investment in county treasury	\$ 119,990,923	\$ 409,750
Cash on hand and in banks	69,908	360,869
Cash in revolving fund	51,008	-
<b>Total cash and investments</b>	<u>\$ 120,111,839</u>	<u>\$ 770,619</u>

B. Policies and Practices

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; collateralized mortgage obligations; and the County Investment Pool.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 2 – CASH AND INVESTMENTS

**B. Policies and Practices (continued)**

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Alameda County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2017

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NOTE 2 – CASH AND INVESTMENTS (continued)

D. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$120,408,566 and an amortized book value of \$120,400,673. The average weighted maturity for this pool is 393 days.

E. 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. The investments in the County Treasury are not required to be rated. As of June 30, 2017, the pooled investments in the County Treasury were not rated.

F. 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 California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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, 2017, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value (continued)

Uncategorized - Investments in the Alameda 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 at June 30, 2017 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 120,408,566
<b>Total fair market value of investments</b>	<u>\$ 120,408,566</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest &amp; Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Total Fiduciary</u>
Federal Government						
Categorical aid	\$ 921,325	\$ -	\$ -	\$ 648,116	\$ 1,569,441	\$ -
State Government						
Apportionment	740,748	-	-	-	740,748	-
Categorical aid	157,298	-	-	111,295	268,593	-
Lottery	864,178	-	-	-	864,178	-
Local Government						
Other local sources	1,311,825	110,240	26,422	187,784	1,636,271	664
<b>Total</b>	<u>\$ 3,995,374</u>	<u>\$ 110,240</u>	<u>\$ 26,422</u>	<u>\$ 947,195</u>	<u>\$ 5,079,231</u>	<u>\$ 664</u>

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2017</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,794,916	\$ -	\$ -	\$ 4,794,916
Construction in progress	8,322,720	15,283,100	4,716,125	18,889,695
Total Capital Assets not Being Depreciated	13,117,636	15,283,100	4,716,125	23,684,611
Capital assets being depreciated				
Land improvements	5,919,467	3,228,984	-	9,148,451
Buildings & improvements	136,060,047	6,581,281	-	142,641,328
Furniture & equipment	4,591,568	136,181	-	4,727,749
Total Capital Assets Being Depreciated	146,571,082	9,946,446	-	156,517,528
Less Accumulated Depreciation				
Land improvements	2,788,174	185,190	-	2,973,364
Buildings & improvements	69,087,566	5,647,754	-	74,735,320
Furniture & equipment	1,975,304	294,556	-	2,269,860
Total Accumulated Depreciation	73,851,044	6,127,500	-	79,978,544
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 85,837,674</b>	<b>\$ 19,102,046</b>	<b>\$ 4,716,125</b>	<b>\$ 100,223,595</b>

Depreciation expense has been allocated to governmental activities as follows:

Instruction	\$ 3,437,305
Instructional supervision and administration	174,670
Instructional library, media, and technology	54,846
School site administration	498,540
Home-to-school transportation	471,120
Food services	178,165
All other pupil services	48,242
All other general administration	446,750
Plant services	688,799
Ancillary services	119,021
Community services	10,042
<b>Total Governmental Activities</b>	<b>\$ 6,127,500</b>

**NOTE 5 – INTERFUND TRANSACTIONS**

**Operating Transfers**

The individual interfund transfer for the year ended June 30, 2017 consisted of a transfer from General Fund to the Foundation Private Purpose Trust Fund for the contribution to cover a scholarship totaling \$498.

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2017 consisted of the following:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Total Governmental Activities</b>
Payroll	\$ 3,855,365	\$ 184,542	\$ 56,029	\$ -	\$ 4,095,936
Construction	-	1,895,329	15,340	-	1,910,669
Vendors payable	2,543,064	-	7,820	-	2,550,884
Unmatured interest	-	-	-	1,719,755	1,719,755
Other liabilities	4,640	-	5,856	-	10,496
<b>Total</b>	<b>\$ 6,403,069</b>	<b>\$ 2,079,871</b>	<b>\$ 85,045</b>	<b>\$ 1,719,755</b>	<b>\$ 10,287,740</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2017, consisted of the following:

	<b>Governmental Activities</b>
Federal sources	\$ 10,991
State categorical sources	576,646
Local sources	283,300
<b>Total</b>	<b>\$ 870,937</b>

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	<b>Balance July 01, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>	<b>Balance Due In One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ 144,723,575	\$ -	\$ 9,156,745	\$ 135,566,830	\$ 9,368,833
Unamortized premium	9,511,524	-	429,495	9,082,029	429,495
Unamortized discount	(144,900)	-	(6,300)	(138,600)	(6,300)
Accreted interest	40,263,223	4,566,730	2,203,256	42,626,697	2,456,167
Total general obligation bonds	194,353,422	4,566,730	11,783,196	187,136,956	12,248,195
Compensated absences	599,535	-	280,492	319,043	-
Net OPEB obligation	4,224,280	651,243	-	4,875,523	-
Net pension liability	86,358,856	16,718,139	-	103,076,995	-
<b>Total</b>	<b>\$ 285,536,093</b>	<b>\$ 21,936,112</b>	<b>\$ 12,063,688</b>	<b>\$ 295,408,517</b>	<b>\$ 12,248,195</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2016	Additions	Deductions	Outstanding June 30, 2017
Election 2004, Series A	October 13, 2004	August 1, 2029	2.50% - 5.48%	\$ 40,998,093	\$ 61,165,936	\$ 2,969,679	\$ 5,425,000	\$ 58,710,615
Election 2004, Series B	June 21, 2005	August 1, 2036	3.25% - 5.09%	\$ 21,997,233	30,470,862	1,597,051	-	32,067,913
Election 2014, Series A	June 5, 2015	August 1, 2039	2.00% - 5.00%	\$ 90,000,000	90,000,000	-	5,760,000	84,240,000
2015 Refunding	June 5, 2015	August 1, 2027	2.00% - 5.00%	\$ 3,405,000	3,350,000	-	175,000	3,175,000
					\$ 184,986,798	\$ 4,566,730	\$ 11,360,000	\$ 178,193,528

Election 2004, Series A

In an election held March 2, 2004, the voters authorized the District to issue and sale \$63,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the construction, renovation, and repair of District facilities, as specified in a list submitted to the voters of the District. There were two issuances under this election:

Series A, which was issued on October 13, 2004 for \$40,998,093 with interest rates ranging from 2.50% to 5.48%. The original issuance consisted of \$3,000,000 in current interest serial bonds and \$37,998,093 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2017 amounted to \$58,710,615.

The bonds mature through 2030 as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 3,148,833	\$ 2,456,167	\$ 5,605,000
2019	3,060,728	2,724,272	5,785,000
2020	2,979,434	2,995,566	5,975,000
2021	2,881,328	3,288,672	6,170,000
2022	2,792,990	3,577,010	6,370,000
2023 - 2027	12,696,498	27,824,554	40,521,052
2028 - 2030	3,159,786	13,275,215	16,435,001
Accretion	27,991,018	(27,991,018)	-
Total	\$ 58,710,615	\$ 28,150,438	\$ 86,861,053

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**Election 2004, Series B**

Series B, which was issued on June 21, 2005 for \$21,997,233 with interest rates ranging from 3.25% to 5.09%. The original issuance consisted of \$4,565,000 in current interest serial bonds and \$17,432,233 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2017 amounted to \$32,067,913. The bonds mature through 2037 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023 - 2027	-	-	-
2028 - 2032	7,824,606	18,935,394	26,760,000
2033 - 2037	9,607,628	35,162,372	44,770,000
Accretion	14,635,679	(14,635,679)	-
<b>Total</b>	<b>\$ 32,067,913</b>	<b>\$ 39,462,087</b>	<b>\$ 71,530,000</b>

**Election 2014**

In the election held November 4, 2014, the voter authorized the District to issue and sale \$179,500,000 of principal amount of general obligation bonds. The Series A Bonds are being issued to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities. There has been one issuance under this election:

Series A, which was issued on June 5, 2015 for \$90,000,000 with interest rates ranging from 2.00% to 5.00%. The issuance consisted of current interest serial bonds. The principal balance outstanding on June 30, 2017 amounted to \$84,240,000. The bonds mature through 2042 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,030,000	\$ 4,317,437	\$ 10,347,437
2019	-	3,922,825	3,922,825
2020	-	3,832,375	3,832,375
2021	-	3,832,375	3,832,375
2022	-	3,832,375	3,832,375
2023 - 2027	1,720,000	19,146,750	20,866,750
2028 - 2032	11,160,000	18,135,938	29,295,938
2033 - 2037	32,895,000	13,932,500	46,827,500
2038 - 2042	32,435,000	4,282,375	36,717,375
<b>Total</b>	<b>\$ 84,240,000</b>	<b>\$ 75,234,950</b>	<b>\$ 159,474,950</b>



ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2015 Refunding

The 2015 Refunding Bonds, which was issued on June 5, 2015 for \$3,405,000 with interest rates ranging from 2.00% to 5.00%. The issuance consisted of current interest serial bonds. The principal balance outstanding on June 30, 2017 amounted to \$3,175,000. These bonds were issued to refund the Election 2004, Series B current interest bond maturities August 1, 2016 – August 1, 2027.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 190,000	\$ 112,238	\$ 302,238
2019	205,000	108,288	313,288
2020	220,000	104,038	324,038
2021	235,000	98,313	333,313
2022	250,000	89,788	339,788
2023 - 2027	1,660,000	257,594	1,917,594
2028 - 2032	415,000	10,375	425,375
Total	\$ 3,175,000	\$ 780,634	\$ 3,955,634

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$319,043. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Other Postemployment Benefits (OPEB)

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2017, was \$1,371,000 with net interest and other adjustments of \$12,987 for a net annual OPEB cost of \$1,695,955. The District made contributions during the year of \$1,044,712, which resulted in an increase to net OPEB obligation of \$651,243. The ending OPEB balance at June 30, 2017 was \$4,875,523. See Note 10 for additional information regarding the OPEB obligation and postemployment benefit plan.

D. Net Pension Liability

The District's beginning net pension liability was \$86,358,856 and increased by \$16,718,139 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$103,076,955. See Note 11 for additional information regarding the net pension liability.

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2017:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Non-spendable</b>					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ 1,008	\$ 51,008
Stores inventory	-	-	-	54,872	54,872
Total non-spendable	50,000	-	-	55,880	105,880
<b>Restricted</b>					
Educational programs	4,178,863	-	-	589,894	4,768,757
Capital projects	-	64,826,820	-	6,671,621	71,498,441
Debt service	-	-	15,383,444	-	15,383,444
Food Service	-	-	-	741,986	741,986
Total restricted	4,178,863	64,826,820	15,383,444	8,003,501	92,392,628
<b>Committed</b>					
Other commitments	4,956,628	-	-	-	4,956,628
Total committed	4,956,628	-	-	-	4,956,628
<b>Assigned</b>					
MAA	213,506	-	-	-	213,506
AP Exam	25,648	-	-	-	25,648
Textbook Adoptions	1,619,892	-	-	-	1,619,892
Purchase Orders Carried over to 2018	293,297	-	-	-	293,297
JROTC	35,784	-	-	-	35,784
LCFF Set Aside	834,849	-	-	-	834,849
Lottery	104,800	-	-	-	104,800
Deferred Maintenance	1,370,177	-	-	-	1,370,177
Adult Education	-	-	-	41,853	41,853
Child Development	-	-	-	56	56
Total assigned	4,497,953	-	-	41,909	4,539,862
<b>Unassigned</b>					
Reserve for economic uncertainties	3,155,753	-	-	-	3,155,753
Remaining unassigned	10,656,269	-	-	-	10,656,269
Total unassigned	13,812,022	-	-	-	13,812,022
<b>Total</b>	<b>\$ 27,495,466</b>	<b>\$ 64,826,820</b>	<b>\$ 15,383,444</b>	<b>\$ 8,101,290</b>	<b>\$ 115,807,020</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, sufficient to cover any deficit plus the required 3% reserve.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	300
Active plan members	974
Total*	<u>1,274</u>
 Number of participating employers	 1

\*As of July 1, 2014 actuarial study

B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the District contributed \$1,044,712 to the Plan, all of which was used for current premiums.

As of June 30, 2017, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**C. Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 1,371,000
Interest on net OPEB obligation	168,971
Adjustment to annual required contribution	155,984
Annual OPEB cost (expense)	<u>1,695,955</u>
Contributions made	<u>(1,044,712)</u>
Increase (decrease) in net OPEB obligation	651,243
Net OPEB obligation, beginning of the year	<u>4,224,280</u>
Net OPEB obligation, end of the year	<u>\$ 4,875,523</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 1,695,955	62%	\$ 4,875,523
2016	\$ 1,382,258	59%	\$ 4,224,280
2015	\$ 1,380,455	57%	\$ 3,662,008

**ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**D. Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 15,626,000	\$ 15,626,000	0%	\$ 60,856,329	26%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

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

Valuation Date	7/1/2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	29
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Health care trend rate	0.0%
Inflation rate	4.0%

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 72,263,400	\$ 13,854,925	\$ 4,750,667	\$ 6,981,790
PERS Pension	30,813,595	9,576,556	925,765	4,042,783
<b>Total</b>	<b>\$ 103,076,995</b>	<b>\$ 23,431,481</b>	<b>\$ 5,676,432</b>	<b>\$ 11,024,573</b>

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***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 percent of final compensation for each year 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 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 11 – PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Benefits provided, continued**

*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 percent of final compensation for each year 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 percent at age 65 or older.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$5,636,468 for the year ended June 30, 2017.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$2,744,341 to CalSTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, 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 that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 72,263,400
State's proportionate share of the net pension liability associated with the District	41,144,321
Total	\$ 113,407,721

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. 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 school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.089 percent, which was a decrease of 0.00487 percent from its proportion measured as of June 30, 2015.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued**

For the year ended June 30, 2017, the District recognized pension expense of \$6,981,790. In addition, the District recognized pension expense and revenue of \$7,341,101 for support provided by the State. At June 30, 2017, 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>
Differences between projected and actual earnings on plan investments	\$ 5,744,905	\$ -
Differences between expected and actual experience	-	1,762,784
Changes in proportion and differences between District contributions and proportionate share of contributions	2,473,552	2,987,883
District contributions subsequent to the measurement date	5,636,468	-
	<u>\$ 13,854,925</u>	<u>\$ 4,750,667</u>

The \$5,636,468 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 620,045	\$ 819,698
2019	620,045	819,698
2020	3,834,243	819,698
2021	2,649,412	819,698
2022	494,712	819,698
2023	-	652,177
	<u>\$ 8,218,457</u>	<u>\$ 4,750,667</u>



ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

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

\* 20-year geometric average

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 11 – PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 percent. 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 in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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 presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District's proportionate share of the net pension liability	\$ 104,003,330	\$ 72,263,400	\$ 45,902,059

**Pension plan fiduciary net position**

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

NOTE 11 – PENSION PLANS (continued)

**California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits provided**

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$2,696,864 for the year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported a liability of \$30,813,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. 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 school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.156 percent, which was an increase of 0.00047 percent from its proportion measured as of June 30, 2015.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued**

For the year ended June 30, 2017, the District recognized pension expense of \$4,082,783. At June 30, 2017, 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>
Differences between projected and actual earnings on plan investments	\$ 4,781,279	\$ -
Differences between expected and actual experience	1,325,280	-
Changes in assumptions	-	925,765
Changes in proportion and differences between District contributions and proportionate share of contributions	773,133	-
District contributions subsequent to the measurement date	2,696,864	-
	<u>\$ 9,576,556</u>	<u>\$ 925,765</u>

The \$2,696,864 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 1,665,694	\$ 487,245
2019	1,596,148	438,520
2020	2,369,979	-
2021	1,247,871	-
	<u>\$ 6,879,692</u>	<u>\$ 925,765</u>

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

\* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. 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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

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NOTE 11 – PENSION PLANS (continued)

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions, continued**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	<u>100%</u>		

\* An expected inflation of 2.5% used for this period  
 \*\* An expected inflation of 3.0% used for this period

**Discount rate**

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was 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.

**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 7.65 percent, 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 45,974,056	\$ 30,813,595	\$ 18,189,528

**Pension plan fiduciary net position**

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

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 12 – PARCEL TAXES**

In an election held March 9, 2011, the voters approved, by 68.43%, the Measure A parcel tax. The parcel tax replaces the two existing school parcel taxes (the previous Measure A and Measure H). Residential and commercial property owners will pay \$0.32 per square foot on buildings, with a maximum tax of \$7,999 per parcel. Properties with no buildings on them will pay \$299. Revenues raised by Measure A are authorized to be used only for those educational programs and activities set forth in the eleven specific categories set forth in the Measure A ballot language.

Revenue of \$12,205,083 and expenditures of \$12,211,512 for the Measure A parcel tax for the year ended June 30, 2017 are included in these audited financial statements.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

**C. Construction Commitments**

As of June 30, 2017, the District had commitments with respect to unfinished capital projects as follows:

	<b>Remaining Construction Commitment</b>	<b>Expected Date of Completion</b>
Capital Projects		
Historic Alameda High Seismic and Modernization	\$ 41,230,433	April 9, 2019
Maya Lin Modernization	1,360,105	September 29, 2017
Otis New Modular Classroom Bldg. Inc 1	477,696	Completed - need to release retention
Otis New Modular Classroom Bldg. Inc 2	152,398	Completed - need to release retention
Edison Exterior Fencing (Safety & Security)	26,723	Summer 2018
Total	\$ 43,247,355	

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

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**NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of two joint powers authorities (JPAs). The first is the Alameda County Schools Insurance Group (ACSIG) to provide workers’ compensation insurance coverage and the second is the East Bay School Insurance Group (EBSIG) to provide liability and property insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

**NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**Refunded Debt**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2017, the deferred amount on refunding was \$62,961.

**NOTE 16 – ADJUSTMENT FOR RESTATEMENT**

The District received legally restricted revenue sources for Adult Education during the 2016-17 fiscal year, the effect of which was to reclassify and the restate the General Fund and Adult Education fund in accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as follows:

	<b>General Fund</b>	<b>Adult Education Fund</b>
Fund Balance - June 30, 2016, as originally stated	\$ 27,484,194	\$ -
GASB Statement No.54 - Changes in fund type classification due to restricted revenue source	(141,514)	141,514
Fund Balance - June 30, 2016, as restated	<u>\$ 27,342,680</u>	<u>\$ 141,514</u>



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**ALAMEDA UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 75,695,758	\$ 75,823,428	\$ 75,819,601	\$ (3,827)
Federal sources	3,614,756	4,143,028	3,535,314	(607,714)
Other state sources	9,966,374	10,732,046	9,136,321	(1,595,725)
Other local sources	17,993,670	19,294,087	19,515,234	221,147
<b>Total Revenues</b>	<b>107,270,558</b>	<b>109,992,589</b>	<b>108,006,470</b>	<b>(1,986,119)</b>
<b>EXPENDITURES</b>				
Certificated salaries	50,418,842	50,438,388	49,828,463	609,925
Classified salaries	16,184,435	17,282,189	17,004,805	277,384
Employee benefits	21,071,618	20,090,091	18,867,598	1,222,493
Books and supplies	5,365,121	7,165,048	4,891,192	2,273,856
Services and other operating expenditures	14,483,798	16,673,640	15,760,733	912,907
Capital outlay	383,800	1,389,619	1,189,993	199,626
Other outgo	359,077	367,969	351,688	16,281
<b>Total Expenditures</b>	<b>108,266,691</b>	<b>113,406,944</b>	<b>107,894,472</b>	<b>5,512,472</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(996,133)</b>	<b>(3,414,355)</b>	<b>111,998</b>	<b>3,526,353</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	(498)	(498)	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>(498)</b>	<b>(498)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(996,133)</b>	<b>(3,414,853)</b>	<b>111,500</b>	<b>3,526,353</b>
<b>Fund Balance - Beginning</b>	<b>17,901,407</b>	<b>17,901,407</b>	<b>17,901,407</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 16,905,274</b>	<b>\$ 14,486,554</b>	<b>\$ 18,012,907</b>	<b>\$ 3,526,353</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, and the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2014	\$ -	\$ 15,626,000	\$ 15,626,000	0%	\$ 60,856,329	26%
July 1, 2012	\$ -	\$ 15,276,000	\$ 15,276,000	0%	\$ 58,630,900	26%
July 1, 2010	\$ -	\$ 17,200,000	\$ 17,200,000	0%	\$ 53,210,015	32%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**- CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.089%	0.094%	0.093%
District's proportionate share of the net pension liability	\$ 72,263,400	\$ 63,430,668	\$ 54,194,713
State's proportionate share of the net pension liability associated with the District	41,144,321	33,547,741	32,968,406
Total	<u>\$ 113,407,721</u>	<u>\$ 96,978,409</u>	<u>\$ 87,163,119</u>
District's covered payroll	\$ 45,539,759	\$ 45,142,412	\$ 43,121,140
District's proportionate share of the net pension liability as a percentage of its covered payroll	158.7%	140.5%	125.7%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	76.5%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2017**

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	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.156%	0.156%	0.152%
District's proportionate share of the net pension liability	\$ 30,813,595	\$ 22,928,188	\$ 17,200,972
District's covered payroll	\$ 19,856,336	\$ 18,949,502	\$ 17,735,189
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.2%	121.0%	97.0%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2017**

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	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,636,468	\$ 4,879,157	\$ 3,829,293
Contributions in relation to the contractually required contribution*	(5,636,468)	(4,879,157)	(3,829,293)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,539,759	\$ 45,142,412	\$ 43,121,140
Contributions as a percentage of covered payroll	12.38%	10.81%	8.88%

\*Amounts do not include on behalf contributions

**ALAMEDA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2017**

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	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,696,864	\$ 2,292,259	\$ 2,057,335
Contributions in relation to the contractually required contribution	(2,696,864)	(2,292,259)	(2,057,335)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,856,336	\$ 18,949,502	\$ 17,735,189
Contributions as a percentage of covered payroll	13.58%	12.10%	11.60%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2017, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.



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**SUPPLEMENTARY  
INFORMATION**

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**ALAMEDA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education	84.010	14329	\$ 938,303
Adult Education:			
Adult Education: Adult Basic Education & ESL	84.002A	14508	216,682
Adult Education: Adult Secondary Education	84.002	13978	29,350
Adult Education: English Literacy and Civics Education	84.002A	14109	67,580
Subtotal Adult Education			<u>313,612</u>
Title II, Part A, Teacher Quality	84.367	14341	242,823
Title III			
Title III, English Learner Student Program	84.365	14346	143,591
Title III, Immigrant Education Program	84.365	15146	59,051
Subtotal Title III			<u>202,642</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,574,098
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	106,482
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	108,291
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	150,446
Subtotal Special Education Cluster			<u>1,939,317</u>
IDEA Early Intervention Grants, Part C	84.181	23761	138,990
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	46,922
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	23,525
Advanced Placement and International Baccalaureate Test Fee Reimbursements	84.330B	14831	13,414
State Vocational Rehabilitation Services Program - We Can Work	84.126A	*	45,607
<b>Total U. S. Department of Education</b>			<u><u>3,905,155</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	8,200
School Breakfast Program - Needy	10.553	13526	157,962
National School Lunch Program	10.555	13391	1,014,912
USDA Commodities	10.555	*	143,144
Summer Food Service Program for Children	10.559	13004	31,953
Subtotal Child Nutrition Cluster			<u>1,356,171</u>
Child Care Food Program - Family Day Care Sponsor Admin	10.558	13665	633,592
<b>Total U. S. Department of Agriculture</b>			<u><u>1,989,763</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Federal General Child Care & Development (CCTR) & CA State Preschool Program (CSPP)	93.596	12609	287,967
<i>Passed through California Department of Health Services:</i>			
Medicaid			
Medi-Cal Billing Option	93.778	10013	167,499
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>455,466</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 6,350,384</u></u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**ALAMEDA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>*Second Period Report</b>	<b>*Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	2,884.51	2,883.48
Extended Year Special Education	4.59	4.59
Special Education - Nonpublic Schools	2.53	2.68
Extended Year Special Education - Nonpublic Schools	0.36	0.36
Total TK/K through Third	2,891.99	2,891.11
Fourth through Sixth		
Regular ADA	2,052.18	2,043.52
Extended Year Special Education	3.25	3.25
Special Education - Nonpublic Schools	2.84	2.91
Extended Year Special Education - Nonpublic Schools	0.44	0.44
Total Fourth through Sixth	2,058.71	2,050.12
Seventh through Eighth		
Regular ADA	1,155.05	1,155.26
Extended Year Special Education	1.24	1.24
Special Education - Nonpublic Schools	5.58	4.72
Extended Year Special Education - Nonpublic Schools	1.26	1.26
Total Seventh through Eighth	1,163.13	1,162.48
Ninth through Twelfth		
Regular ADA	2,948.19	2,937.42
Extended Year Special Education	1.28	1.28
Special Education - Nonpublic Schools	17.24	17.73
Extended Year Special Education - Nonpublic Schools	1.63	1.63
Total Ninth through Twelfth	2,968.34	2,958.06
TOTAL SCHOOL DISTRICT	9,082.17	9,061.77

**ALAMEDA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2016-17</b>	<b>Number of Days</b>	<b>Status</b>
		<b>Actual Minutes</b>		
Kindergarten	36,000	49,700	180	Complied
Grade 1	50,400	50,800	180	Complied
Grade 2	50,400	51,600	180	Complied
Grade 3	50,400	52,715	180	Complied
Grade 4	54,000	54,325	180	Complied
Grade 5	54,000	54,325	180	Complied
Grade 6	54,000	54,565	180	Complied
Grade 7	54,000	54,565	180	Complied
Grade 8	54,000	55,135	180	Complied
Grade 9	64,800	64,830	180	Complied
Grade 10	64,800	64,830	180	Complied
Grade 11	64,800	64,830	180	Complied
Grade 12	64,800	64,830	180	Complied

**ALAMEDA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018 (Budget)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 107,090,604	\$ 108,006,470	\$ 110,889,384	\$ 98,876,608
Expenditures And Other Financing Uses	110,691,010	107,894,970	106,833,846	97,524,372
Net change in Fund Balance	\$ (3,600,406)	\$ 111,500	\$ 4,055,538	\$ 1,352,236
Ending Fund Balance	\$ 14,412,501	\$ 18,012,907	\$ 17,901,407	\$ 13,845,869
Available Reserves*	\$ 9,784,204	\$ 10,656,268	\$ 9,560,125	\$ 8,159,634
Available Reserves As A Percentage Of Outgo	8.84%	9.88%	8.95%	8.37%
Long-term Debt	\$ 283,160,322	\$ 295,408,517	\$ 285,536,093	\$ 272,366,972
Average Daily Attendance At P-2	9,082	9,082	9,078	9,091

The General Fund balance has increased by \$4,167,038 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$3,600,406. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by \$23,041,545 over the past two years.

Average daily attendance has decreased by 9 ADA over the past two years. No change in ADA is anticipated during the 2017-18 fiscal year.

\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, and the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>General Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>
June 30, 2017, annual financial and budget report fund balance	\$ 18,012,907	\$ 1,370,177	\$ 8,112,382
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	9,482,559	(1,370,177)	(8,112,382)
Net adjustments and reclassifications	9,482,559	(1,370,177)	(8,112,382)
June 30, 2017, audited financial statement fund balance	<u>\$ 27,495,466</u>	<u>\$ -</u>	<u>\$ -</u>

**ALAMEDA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF CHARTER SCHOOLS  
 FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Charter School</b>	<b>Status</b>	<b>Included in Audit Report</b>
Academy of Alameda-Middle School	Active	No
Academy of Alameda-Elementary School	Active	No
Community Learning Center Inc., (NEA)	Active	No
Alameda Community Learning Center (ALCLC)	Active	No
Alternatives in Action (BASE)	Active	No

**ALAMEDA UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

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	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 144,097	\$ 223,981	\$ 214,711	\$ 5,735,216	\$ 866,263	\$ 7,184,268
Accounts receivable	259,699	47,242	554,772	20,664	64,818	947,195
Stores inventory	-	-	54,872	-	-	54,872
<b>Total Assets</b>	<b>\$ 403,796</b>	<b>\$ 271,223</b>	<b>\$ 824,355</b>	<b>\$ 5,755,880</b>	<b>\$ 931,081</b>	<b>\$ 8,186,335</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 11,651	\$ 31,565	\$ 26,489	\$ 1,807	\$ 13,533	\$ 85,045
<b>Total Liabilities</b>	<b>11,651</b>	<b>31,565</b>	<b>26,489</b>	<b>1,807</b>	<b>13,533</b>	<b>85,045</b>
<b>FUND BALANCES</b>						
Non-spendable	-	-	55,880	-	-	55,880
Restricted	350,292	239,602	741,986	5,754,073	917,548	8,003,501
Assigned	41,853	56	-	-	-	41,909
<b>Total Fund Balances</b>	<b>392,145</b>	<b>239,658</b>	<b>797,866</b>	<b>5,754,073</b>	<b>917,548</b>	<b>8,101,290</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 403,796</b>	<b>\$ 271,223</b>	<b>\$ 824,355</b>	<b>\$ 5,755,880</b>	<b>\$ 931,081</b>	<b>\$ 8,186,335</b>

See accompanying note to supplementary information.



**ALAMEDA UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2017**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>REVENUES</b>						
Federal sources	\$ 313,612	\$ 287,967	\$ 1,989,762	\$ -	\$ -	\$ 2,591,341
Other state sources	863,425	1,182,703	91,892	-	-	2,138,020
Other local sources	72,378	465,227	1,085,488	1,547,386	338,079	3,508,558
<b>Total Revenues</b>	<b>1,249,415</b>	<b>1,935,897</b>	<b>3,167,142</b>	<b>1,547,386</b>	<b>338,079</b>	<b>8,237,919</b>
<b>EXPENDITURES</b>						
Current						
Instruction	530,657	1,283,646	-	-	-	1,814,303
Instruction-related services						
Instructional supervision and administration	1,310	158,101	-	-	-	159,411
School site administration	362,719	93,768	-	-	-	456,487
Pupil services						
Food services	-	-	2,850,431	-	-	2,850,431
All other pupil services	78,049	17,026	-	-	-	95,075
General administration						
All other general administration	10,722	99,893	132,649	23,396	-	266,660
Plant services	15,327	73,132	14,761	47,280	682,916	833,416
Facilities acquisition and maintenance	-	75,472	-	-	-	75,472
<b>Total Expenditures</b>	<b>998,784</b>	<b>1,801,038</b>	<b>2,997,841</b>	<b>70,676</b>	<b>682,916</b>	<b>6,551,255</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>250,631</b>	<b>134,859</b>	<b>169,301</b>	<b>1,476,710</b>	<b>(344,837)</b>	<b>1,686,664</b>
<b>Fund Balance - Beginning, as restated (see note 16)</b>	<b>141,514</b>	<b>104,799</b>	<b>628,565</b>	<b>4,277,363</b>	<b>1,262,385</b>	<b>6,414,626</b>
<b>Fund Balance - Ending</b>	<b>\$ 392,145</b>	<b>\$ 239,658</b>	<b>\$ 797,866</b>	<b>\$ 5,754,073</b>	<b>\$ 917,548</b>	<b>\$ 8,101,290</b>

See accompanying note to supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2017**

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The District boundaries encompass the City of Alameda. There were no boundary changes during the year. The District provides education for grades K-12 and is currently operating ten elementary schools, three middle schools, two high schools, one continuation school, one early college high school, one adult school and one child development center. Five charter schools also operate within the District boundaries.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Gary K. Lym	President	December 2018
Gray Harris	Vice President	December 2020
Ardella Dailey, Ed. D.	Board Clerk	December 2020
Anne McKereghan	Trustee	December 2018
Jennifer Williams	Trustee	December 2020

**DISTRICT ADMINISTRATORS**

Sean McPhetridge, Ed.D.  
*Superintendent*

Shariq Khan  
*Chief Business Officer*

**ALAMEDA UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2017**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2017 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2017.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 6,126,655
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027	56,230
Medi-Cal Billing Option	93.778	<u>167,499</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 6,350,384</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2017, the District participated in the Longer Day incentive funding program. As of June 30, 2017, the District had not yet met its target funding.

ALAMEDA UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2017

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NOTE 1 – PURPOSE OF SCHEDULES (continued)

**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.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Independent Auditors' Report

Governing Board  
Alameda Unified School District  
Alameda, 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 Alameda Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Alameda Unified School District's basic financial statements, and have issued our report thereon dated November 3, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2017-001).

### **Compliance and Other Matters**

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

### **Alameda Unified School District's Response to Findings**

Alameda Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Alameda Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



San Diego, California  
November 3, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board  
Alameda Unified School District  
Alameda, California

**Report on Compliance for Each Major Federal Program**

We have audited Alameda Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alameda Unified School District's major federal programs for the year ended June 30, 2017. Alameda Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Alameda Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Alameda Unified School District's compliance.

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### *Opinion on Each Major Federal Program*

In our opinion, Alameda Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Alameda Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alameda Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alameda Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
November 3, 2017

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Governing Board  
Alameda Unified School District  
Alameda, California

#### **Report on State Compliance**

We have audited Alameda Unified School District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Alameda Unified School District's state programs for the fiscal year ended June 30, 2017, as identified below.

#### ***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 Alameda Unified School 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. 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 state programs noted below occurred. An audit includes examining, on a test basis, evidence about Alameda Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Alameda Unified School District's compliance with those requirements.

#### ***Opinion on State Compliance***

In our opinion, Alameda Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2017.

Christy White, CPA

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*Procedures Performed*

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
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	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After 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
Immunizations	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because ADA was below materiality levels.

*Christy White Associates*

San Diego, California  
November 3, 2017

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**ALAMEDA UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>*Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

\*The significant deficiency identified in regards to the Financial Statements is related to Associated Study Body (ASB), which is described in the accompanying schedule of findings and questioned costs as item #2017-001.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

**FINDING #2017-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of student council meetings reduces the opportunity for irregularities and fraud to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow as a best practice.

**Condition:** Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

***Lincoln Middle School***

- Pre-numbered cash receipts are not given when cash is collected for the majority of events and activities, thus making difficult to ensure the amount deposited is correct. However, for dances the site does have pre-numbered stickers that are used to reconcile tickets sold.

***Alameda High School***

- Three signatures are required to approve each expenditure, we found 1 of 10 expenditures selected was missing a signature from an administrator.
- 1 of 10 expenditures selected was missing a proper invoice that noted the correct dollar amount. A contract was provided but did not include the amount to be paid.

***Alameda Science and Technology Institute***

- Three signatures are required to approve each expenditure, we found 4 of 10 expenditures selected was missing a signature from an administrator.
- 6 of 10 cash receipts tested were not deposited in a timely manner.

**Cause:** Insufficient controls over student body activities.

**Effect:** The potential for irregularities in accounting to go undetected.

**Perspective:** Testing was performed at a sample of the District's student body accounts.

**Recommendation:** We recommend that all ASB checks require a double signature. In addition, all sites should be reminded of what are allowable and unallowable uses of ASB fund and ASB activities. We recommend that all organized ASB's have approved budgets and all purchase requisitions have all required signature prior to the purchase of goods or services. We recommend that the District implement procedures to ensure that adequate supporting documentation is maintained for ASB cash collections. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINDING #2017-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000) (continued)**

**District Response:** District management has established policies and key internal controls as recommended in the latest FCMAT Associated Student Body Manual and has provided a copy to each site personnel. Management will continue to provide oversight to ensure that internal controls over ASB are followed and consistently applied. In addition, the District will provide staff an ASB training from a FCMAT representative on January 11, 2018.



ALAMEDA UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*No federal awards findings were noted for fiscal year 2016-17.*

**ALAMEDA UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FIVE DIGIT CODE**

10000  
40000  
41000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
CalSTRS  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*No state awards findings were noted for fiscal year 2016-17*

**ALAMEDA UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINDING #2016-1: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

**Condition:** Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

***RUBY BRIDGES ELEMENTARY***

- The checking account did not require double signature. For the 2015-16 year, the principal was both the approver of expenditures and sole signor on the account. In the 2016-17 year, they have added a 2<sup>nd</sup> signor to the checks.

***BAY FARM ELEMENTARY***

- 4 of the 9 disbursements appear to be questionable ASB purchases.

***WOOD MIDDLE SCHOOL***

- Wood Middle School ASB does not prepare an annual budget.
- 1 of 9 disbursements selected for testing did not have proper approval of a faculty advisor. 1 of 9 disbursements selected for testing did not have proper approval of a faculty advisor and student representative.

***ENCINAL HIGH SCHOOL***

- 3 of 10 cash receipts did not have adequate supporting documentation to reconcile the amount of sales or collection to the deposit.

**Cause:** Insufficient controls over student body activities.

**Effect:** The potential for irregularities in accounting to go undetected.

**Perspective:** Testing was performed at a sample of the District's student body accounts.

**ALAMEDA UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINDING #2016-1: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000) (continued)**

**Recommendation:** We recommend that all ASB checks require a double signature. In addition, all sites should be reminded of what are allowable and unallowable uses of ASB fund and ASB activities. We recommend that all organized ASB's have approved budgets and all purchase requisitions have all required signature prior to the purchase of goods or services. We recommend that the District implement procedures to ensure that adequate supporting documentation is maintained for ASB cash collections. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

**District Response:** District management has established policies and key internal controls as recommended in the latest FCMAT Associated Student Body Manual and has provided a copy to each site personnel. Management will continue to provide oversight to ensure that internal controls over ASB are followed and consistently applied. In addition, the District provided staff an ASB training from a FCMAT representative on December 2, 2016.

**Status:** Partially Implemented, See Finding #2017-001

**FINDING #2016-2 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** 1 of 60 free or reduced status, non-EL students selected had a meal application on file that disagreed with the 1.18 CALPADS Fall I Certified Data. The student was listed as free in the 1.18 CALPADS report however, the 2015-16 meal application had an income verification that showed the student's status was changed to denied. Upon extrapolation of the error to the rest of the District's FRPM eligible population, we calculated an additional 12 students without proper supporting documentation for a total of 13 ineligible students.

**Cause:** Lack of adequate oversight with regards to adjusting CALPADS data following the income verification process.

**Effect:** The District is not in compliance with applicable state requirements.

**Context:** Following the extrapolation of the error rate across the testing population, 13 out of 807 students reported as FRPM eligible did not have proper supporting documentation to support their designation.

ALAMEDA UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2017

**FINDING #2016-2 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)**

Questioned Costs: \$3,037, as calculated below:

UPP Audit Adjustment		Section 1: Regular UPP	Section 2: Alternate UPP*
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	28,437	28,452
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	10,881	10,765
3	Number of Unduplicated Pupil Count audit adjustment		(13)
4	Revised Adjusted Unduplicated Pupil Count	10,868	10,752
5	UPP calculated as of P-2	0.3826	0.3784
6	Revised UPP for audit finding	0.3822	0.3779
7	Greater of Revised UPP for audit finding from Section 1 or 2		<b>0.3822</b>
8	<b>Charter Schools Only:</b> Determinative School District Concentration Cap		
9	Revised UPP adjusted for Concentration Cap		<b>0.3822</b>
<b>LCFF Target Base Grant Funding</b>		<b>Estimated Values</b>	
10	Total Base Grant Funding as of P-2	\$72,218,423	
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>			
11	Target Supplemental Grant Funding calculated as of P-2	\$5,526,154	
12	Revised Target Supplemental Grant Funding for audit finding	\$5,520,376	
13	Target Supplemental Grant Funding audit adjustment	<b>(\$5,778)</b>	
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>			
14	Target Concentration Grant Funding calculated as of P-2	\$0	
15	Revised Target Concentration Grant Funding for audit finding	\$0	
16	Target Concentration Grant Funding audit adjustment	<b>\$0</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>			
17	Total Target Supplemental and Concentration audit adjustment	<b>(\$5,778)</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	<b>(\$3,037)</b>	

ALAMEDA UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2017

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FINDING #2016-2 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

**Recommendation:** We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report are properly classified following the income verification process.

**District Response:** District Management will ensure that students whose status changed to non-eligible during the Verification process are not reported to CALPADS.

**Status:** Implemented.