

ALBANY UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2017

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Albany Unified School District
Albany, 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 Albany 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 Albany 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 Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

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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 Albany 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 Albany 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 December 14, 2017 on our consideration of Albany 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 Albany Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 14, 2017

ALBANY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

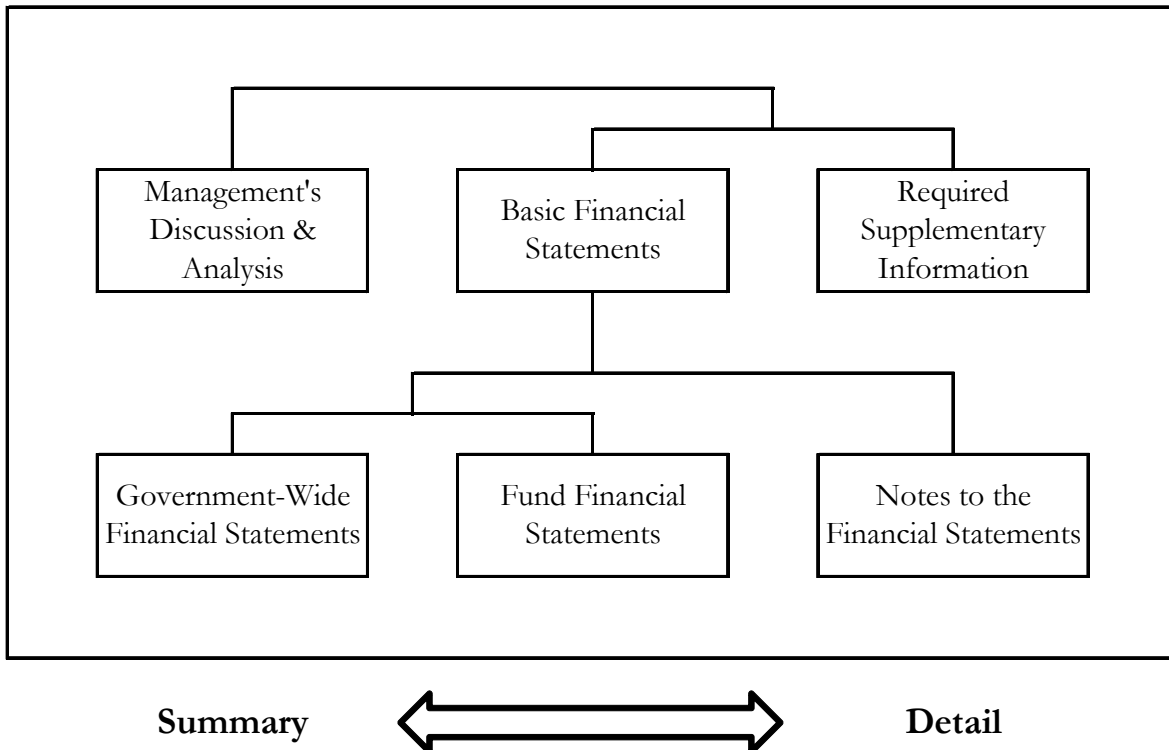
Our discussion and analysis of Albany Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's net position was \$(5,954,686) at June 30, 2017. This was a decrease of \$430,679 from the prior year's net position.
- ▶ Overall revenues were \$73,832,237 which were exceeded by expenses of \$74,262,916.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

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. 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 and federal and state grants finance most of these activities.

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(5,954,686) at June 30, 2017, as reflected in the table below. Of this amount, \$(32,614,661) 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.

	Governmental Activities		
	2017	2016	Net Change
ASSETS			
Current and other assets	\$ 52,711,689	\$ 21,397,544	\$ 31,314,145
Capital assets	53,581,688	54,318,817	(737,129)
Total Assets	106,293,377	75,716,361	30,577,016
DEFERRED OUTFLOWS OF RESOURCES	10,068,919	5,375,945	4,692,974
LIABILITIES			
Current liabilities	10,202,052	11,020,430	(818,378)
Long-term liabilities	110,608,429	72,106,013	38,502,416
Total Liabilities	120,810,481	83,126,443	37,684,038
DEFERRED INFLOWS OF RESOURCES	1,506,501	3,489,870	(1,983,369)
NET POSITION			
Net investment in capital assets	20,912,827	20,317,360	595,467
Restricted	5,747,148	4,432,981	1,314,167
Unrestricted	(32,614,661)	(30,274,348)	(2,340,313)
Total Net Position	\$ (5,954,686)	\$ (5,524,007)	\$ (430,679)

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

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.

	Governmental Activities		
	2017	2016	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,125,705	\$ 864,235	\$ 261,470
Operating grants and contributions	25,928,799	26,182,371	(253,572)
Capital grants and contributions	2,019	5,639	(3,620)
General revenues			
Property taxes	20,988,235	18,296,930	2,691,305
Unrestricted federal and state aid	22,558,363	23,551,104	(992,741)
Other	3,229,116	1,064,571	2,164,545
Total Revenues	73,832,237	69,964,850	3,867,387
EXPENSES			
Instruction	33,423,655	30,515,524	2,908,131
Instruction-related services	6,381,872	5,738,811	643,061
Pupil services	3,254,700	2,903,555	351,145
General administration	4,004,364	4,201,737	(197,373)
Plant services	4,416,737	4,933,801	(517,064)
Ancillary and community services	1,376,592	1,302,377	74,215
Debt service	2,092,606	1,506,657	585,949
Other Outgo	16,874,258	16,966,488	(92,230)
Depreciation	2,438,132	2,375,678	62,454
Total Expenses	74,262,916	70,444,628	3,818,288
Change in net position	(430,679)	(479,778)	49,099
Net Position - Beginning	(5,524,007)	(5,044,229)	(479,778)
Net Position - Ending	\$ (5,954,686)	\$ (5,524,007)	\$ (430,679)

The cost of all our governmental activities this year was \$74,262,916 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$20,988,235 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2017	2016
Instruction	\$ 24,609,883	\$ 21,661,199
Instruction-related services	4,947,320	4,383,518
Pupil services	1,616,315	1,458,591
General administration	3,546,926	3,718,455
Plant services	4,408,345	4,924,352
Ancillary and community services	1,181,126	1,125,792
Debt service	2,092,606	1,506,657
Transfers to other agencies	2,365,740	2,238,141
Depreciation	2,438,132	2,375,678
Total Expenses	\$ 47,206,393	\$ 43,392,383

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

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 \$47,382,440, which is more than last year’s ending fund balance of \$13,715,975. The District’s General Fund had \$337,447 more in operating revenues than expenditures for the year ended June 30, 2017. The District’s Special Education Pass-Through Fund had \$1 more in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$332,582 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Bond Interest and Redemption Fund had \$885,554 more 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested \$53,581,688 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2017	2016	Net Change
CAPITAL ASSETS			
Land	\$ 4,394,935	\$ 4,394,935	\$ -
Construction in progress	2,258,285	2,448,376	(190,091)
Land improvements	20,204,645	20,114,739	89,906
Buildings & improvements	56,294,387	54,550,975	1,743,412
Furniture & equipment	6,234,207	6,176,431	57,776
Accumulated depreciation	(35,804,771)	(33,366,639)	(2,438,132)
Total Capital Assets	\$ 53,581,688	\$ 54,318,817	\$ (737,129)

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

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$110,608,429 in long-term debt, an increase of 53% from last year's balance – as shown in the table below. The increase is primarily due to the issuance of two new general obligation bonds. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2017	2016	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 66,368,315	\$ 35,632,795	\$ 30,735,520
Net OPEB obligation	4,596,705	3,843,598	753,107
Net pension liability	43,561,382	35,557,779	8,003,603
Less: current portion of long-term debt	(3,917,973)	(2,928,159)	(989,814)
Total Long-term Liabilities	\$110,608,429	\$ 72,106,013	\$ 38,502,416

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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 CalSTRS 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 Allan Garde, Chief Business Official at Albany Unified School District, 1051 Monroe Street, Albany, California, 94706.

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

	Governmental Activities
ASSETS	
Cash and investments	\$ 49,532,127
Accounts receivable	3,147,387
Inventory	4,724
Prepaid expenses	27,451
Capital assets, not depreciated	6,653,220
Capital assets, net of accumulated depreciation	46,928,468
Total Assets	106,293,377
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	8,777,990
Deferred amount on refunding	1,290,929
Total Deferred Outflows of Resources	10,068,919
LIABILITIES	
Accrued liabilities	5,840,004
Unearned revenue	444,075
Long-term liabilities, current portion	3,917,973
Long-term liabilities, non-current portion	110,608,429
Total Liabilities	120,810,481
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,506,501
Total Deferred Inflows of Resources	1,506,501
NET POSITION	
Net investment in capital assets	20,912,827
Restricted:	
Capital projects	14,827
Debt service	4,477,424
Educational programs	1,153,713
All others	101,184
Unrestricted	(32,614,661)
Total Net Position	\$ (5,954,686)

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

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

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 33,423,655	\$ 400,640	\$ 8,411,113	\$ 2,019	\$ (24,609,883)
Instruction-related services					
Instructional supervision and administration	2,584,109	-	1,073,881	-	(1,510,228)
Instructional library, media, and technology	778,443	-	119,745	-	(658,698)
School site administration	3,019,320	-	240,926	-	(2,778,394)
Pupil services					
Home-to-school transportation	196,522	-	13,795	-	(182,727)
Food services	1,087,753	672,364	379,787	-	(35,602)
All other pupil services	1,970,425	1,355	571,084	-	(1,397,986)
General administration					
Centralized data processing	950,412	-	-	-	(950,412)
All other general administration	3,053,952	51,346	406,092	-	(2,596,514)
Plant services	4,416,737	-	8,392	-	(4,408,345)
Ancillary services	465,511	-	105,094	-	(360,417)
Community services	911,081	-	90,372	-	(820,709)
Interest on long-term debt	2,092,606	-	-	-	(2,092,606)
Other Outgo	16,874,258	-	14,508,518	-	(2,365,740)
Depreciation (unallocated)	2,438,132	-	-	-	(2,438,132)
Total Governmental Activities	\$ 74,262,916	\$ 1,125,705	\$ 25,928,799	\$ 2,019	(47,206,393)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					9,488,601
Property taxes, levied for debt service					5,288,948
Property taxes, levied for other specific purposes					6,210,686
Federal and state aid not restricted for specific purposes					22,558,363
Interest and investment earnings					228,256
Interagency revenues					281,484
Miscellaneous					2,719,376
Subtotal, General Revenue					46,775,714
CHANGE IN NET POSITION					(430,679)
Net Position - Beginning					(5,524,007)
Net Position - Ending					\$ (5,954,686)

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

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

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 9,906,634	\$ 1,514,213	\$ 32,572,188	\$ 5,424,754	\$ 114,338	\$ 49,532,127
Accounts receivable	1,601,317	1,268,096	50,350	7,500	220,124	3,147,387
Stores inventory	-	-	-	-	4,724	4,724
Prepaid expenditures	27,451	-	-	-	-	27,451
Total Assets	\$ 11,535,402	\$ 2,782,309	\$ 32,622,538	\$ 5,432,254	\$ 339,186	\$ 52,711,689
LIABILITIES						
Accrued liabilities	\$ 1,780,707	\$ 2,782,309	\$ 214,013	\$ -	\$ 108,145	\$ 4,885,174
Unearned revenue	436,949	-	-	-	7,126	444,075
Total Liabilities	2,217,656	2,782,309	214,013	-	115,271	5,329,249
FUND BALANCES						
Nonspendable	52,451	-	-	-	4,724	57,175
Restricted	1,151,266	-	32,408,525	5,432,254	118,458	39,110,503
Committed	-	-	-	-	21,810	21,810
Assigned	1,339,862	-	-	-	80,923	1,420,785
Unassigned	6,774,167	-	-	-	(2,000)	6,772,167
Total Fund Balances	9,317,746	-	32,408,525	5,432,254	223,915	47,382,440
Total Liabilities and Fund Balances	\$ 11,535,402	\$ 2,782,309	\$ 32,622,538	\$ 5,432,254	\$ 339,186	\$ 52,711,689

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

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

Total Fund Balance - Governmental Funds \$ 47,382,440

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	\$ 89,386,459	
Accumulated depreciation	(35,804,771)	53,581,688
		<hr/>

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:

1,290,929

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:

(954,830)

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	\$ 66,368,315	
Net OPEB obligation	4,596,705	
Net pension liability	43,561,382	(114,526,402)
		<hr/>

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	\$ 8,777,990	
Deferred inflows of resources related to pensions	(1,506,501)	7,271,489
		<hr/>

Total Net Position - Governmental Activities \$ (5,954,686)

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

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 30,079,743	\$ -	\$ -	\$ -	\$ 250,000	\$ 30,329,743
Federal sources	1,100,803	4,570,152	-	-	451,431	6,122,386
Other state sources	5,523,378	12,304,107	-	46,209	664,823	18,538,517
Other local sources	8,914,104	-	142,433	5,266,494	2,443,592	16,766,623
Total Revenues	45,618,028	16,874,259	142,433	5,312,703	3,809,846	71,757,269
EXPENDITURES						
Current						
Instruction	28,640,010	-	-	-	1,713,424	30,353,434
Instruction-related services						
Instructional supervision and administration	2,366,505	-	-	-	-	2,366,505
Instructional library, media, and technology	715,590	-	-	-	-	715,590
School site administration	2,796,317	-	-	-	-	2,796,317
Pupil services						
Home-to-school transportation	191,173	-	-	-	-	191,173
Food services	59,131	-	-	-	991,280	1,050,411
All other pupil services	1,821,493	-	-	-	8,603	1,830,096
General administration						
Centralized data processing	939,658	-	-	-	-	939,658
All other general administration	2,772,773	-	-	-	174,440	2,947,213
Plant services						
Facilities acquisition and maintenance	27,650	-	475,015	-	1,103,982	1,606,647
Ancillary services	446,060	-	-	-	-	446,060
Community services	417,626	-	-	-	463,280	880,906
Transfers to other agencies	-	16,874,258	-	-	-	16,874,258
Debt service						
Principal	-	-	-	2,620,000	-	2,620,000
Interest and other	-	-	-	1,807,149	-	1,807,149
Total Expenditures	45,280,581	16,874,258	475,015	4,427,149	4,747,294	71,804,297
Excess (Deficiency) of Revenues Over Expenditures	337,447	1	(332,582)	885,554	(937,448)	(47,028)
Other Financing Sources (Uses)						
Other sources	-	-	32,500,000	1,213,493	-	33,713,493
Net Financing Sources (Uses)	-	-	32,500,000	1,213,493	-	33,713,493
NET CHANGE IN FUND BALANCE	337,447	1	32,167,418	2,099,047	(937,448)	33,666,465
Fund Balance - Beginning	8,980,299	(1)	241,107	3,333,207	1,161,363	13,715,975
Fund Balance - Ending	\$ 9,317,746	\$ -	\$ 32,408,525	\$ 5,432,254	\$ 223,915	\$ 47,382,440

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

**ALBANY 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**

Net Change in Fund Balances - Governmental Funds \$ 33,666,465

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:	\$ 1,701,003	
Depreciation expense:	<u>(2,438,132)</u>	(737,129)

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:

2,620,000

Debt proceeds:

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

(33,713,493)

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:

(99,302)

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

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: (544,128)

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: (753,107)

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: (1,227,958)

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: 357,973

Change in Net Position of Governmental Activities

\$ (430,679)

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

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 132,585
Total Assets	<u>\$ 132,585</u>
LIABILITIES	
Due to student groups	\$ 132,585
Total Liabilities	<u>\$ 132,585</u>

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Albany 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, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments 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.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-Local Education Agency (LEA) Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEA's.

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:

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*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

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*).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

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.

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*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 reimbursement 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.

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

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

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.

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 recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

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.

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

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*)

Capital Assets (*continued*)

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	15-50 years
Furniture and Equipment	5-15 years
Vehicles	5-15 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.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. 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.

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*)

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.

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.

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

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 (*continued*)

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.

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.

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

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

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.

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

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

J. New Accounting Pronouncements

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 implemented GASB Statement No. 80 for the year ended June 30, 2017.

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.

ALBANY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 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	\$ 49,503,627	\$ -
Cash on hand and in banks	3,500	132,585
Cash in revolving fund	25,000	-
Total cash and investments	\$ 49,532,127	\$ 132,585

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.

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.

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

NOTE 2 – CASH AND INVESTMENTS (*continued*)

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

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 \$49,506,873 and an amortized book value of \$49,503,627. 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.

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

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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	\$ 49,506,873
Total fair market value of investments	<u>\$ 49,506,873</u>

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government						
Categorical aid	\$ 241,400	\$ 692,013	\$ -	\$ -	\$ 63,289	\$ 996,702
State Government						
Apportionment	212,021	-	-	-	103,132	315,153
Categorical aid	286,528	576,083	-	-	2,994	865,605
Lottery	355,258	-	-	-	-	355,258
Local Government						
Other local sources	506,110	-	50,350	7,500	50,709	614,669
Total	\$ 1,601,317	\$ 1,268,096	\$ 50,350	\$ 7,500	\$ 220,124	\$ 3,147,387

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,394,935	\$ -	\$ -	\$ 4,394,935
Construction in progress	2,448,376	628,929	819,020	2,258,285
Total Capital Assets not Being Depreciated	6,843,311	628,929	819,020	6,653,220
Capital assets being depreciated				
Land improvements	20,114,739	89,906	-	20,204,645
Buildings & improvements	54,550,975	1,743,412	-	56,294,387
Furniture & equipment	6,176,431	57,776	-	6,234,207
Total Capital Assets Being Depreciated	80,842,145	1,891,094	-	82,733,239
Less Accumulated Depreciation				
Land improvements	5,052,879	637,300	-	5,690,179
Buildings & improvements	23,233,738	1,524,523	-	24,758,261
Furniture & equipment	5,080,022	276,309	-	5,356,331
Total Accumulated Depreciation	33,366,639	2,438,132	-	35,804,771
Governmental Activities				
Capital Assets, net	\$ 54,318,817	\$ 81,891	\$ 819,020	\$ 53,581,688

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

NOTE 5 – ACCRUED LIABILITIES

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

	Special Education Pass-Through		Non-Major Governmental		Total Governmental	
	General Fund	Fund	Building Fund	Funds	District-Wide	Activities
Payroll	\$ 1,357,166	\$ -	\$ -	\$ 53,418	\$ -	\$ 1,410,584
Construction	-	-	214,013	2,353	-	216,366
Vendors payable	423,541	-	-	52,374	-	475,915
Unmatured interest	-	-	-	-	954,830	954,830
Due to other agencies	-	2,782,309	-	-	-	2,782,309
Total	\$ 1,780,707	\$ 2,782,309	\$ 214,013	\$ 108,145	\$ 954,830	\$ 5,840,004

NOTE 6 – UNEARNED REVENUE

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

	Non-Major Governmental		Total Governmental	
	General Fund	Funds	Activities	
Federal sources	\$ 26,558	\$ -	\$ 26,558	
State categorical sources	5,384	7,126	12,510	
Local sources	405,007	-	405,007	
Total	\$ 436,949	\$ 7,126	\$ 444,075	

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

NOTE 7 – LONG-TERM DEBT

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

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 31,530,000	\$ 32,500,000	\$ 2,620,000	\$ 61,410,000	\$ 3,560,000
Unamortized premium	4,102,795	1,213,493	357,973	4,958,315	357,973
Total general obligation bonds	35,632,795	33,713,493	2,977,973	66,368,315	3,917,973
Net OPEB obligation	3,843,598	753,107	-	4,596,705	-
Net pension liability	35,557,779	8,003,603	-	43,561,382	-
Total	\$ 75,034,172	\$ 42,470,203	\$ 2,977,973	\$ 114,526,402	\$ 3,917,973

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.

A. General Obligation Bonds

General obligation bonds at June 30, 2017 consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2016	Additions	Deductions	Outstanding June 30, 2017
2004 Election Series B	February 2007	August 2016	4.2-5.5%	\$ 5,500,000	\$ 185,000	\$ -	\$ 185,000	\$ -
2009 Refunding Bonds	February 2010	August 2020	2.0-4.8%	7,290,000	5,315,000	-	735,000	4,580,000
2012 Refunding Bonds	August 2012	August 2030	2.0-5.0%	17,700,000	12,975,000	-	1,480,000	11,495,000
2016 Refunding Bonds	March 2016	August 2030	2.0-5.0%	13,055,000	13,055,000	-	220,000	12,835,000
Measure B Series 2016A	October 2016	August 2045	2.0-4.0%	23,500,000	-	23,500,000	-	23,500,000
Measure E Series 2016A	October 2016	August 2035	2.0-4.0%	9,000,000	-	9,000,000	-	9,000,000
					\$ 31,530,000	\$ 32,500,000	\$ 2,620,000	\$ 61,410,000

2016 Refunding Bonds

The net proceeds received for the 2016 Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 2004 Election Series B General Obligation Bonds that were current refunded and the 2008 Election Series A General Obligation Bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. This refunding reduced total debt service payments by \$1,918,923 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,739,490. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$10,000,000.

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

NOTE 7 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize the bonds outstanding at June 30, 2017 are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 3,560,000	\$ 2,229,481	\$ 5,789,481
2019	3,010,000	2,107,418	5,117,418
2020	2,565,000	1,992,556	4,557,556
2021	2,180,000	1,887,318	4,067,318
2022	2,395,000	1,784,294	4,179,294
2023 - 2027	14,435,000	7,253,067	21,688,067
2028 - 2032	11,165,000	4,483,804	15,648,804
2033 - 2037	7,675,000	3,012,428	10,687,428
2038 - 2042	6,930,000	1,699,775	8,629,775
2043 - 2046	7,495,000	467,475	7,962,475
Total	<u>\$ 61,410,000</u>	<u>\$ 26,917,616</u>	<u>\$ 88,327,616</u>

B. Net Pension Liability

The District's beginning net pension liability was \$35,557,779 and increased by \$8,003,603 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$43,561,382. See Note 10 for additional information regarding the net pension liability.

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

NOTE 8 – 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
Non-spendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventory	-	-	-	4,724	4,724
Prepaid expenditures	27,451	-	-	-	27,451
Total non-spendable	52,451	-	-	4,724	57,175
Restricted					
Educational programs	1,151,266	-	-	2,447	1,153,713
Capital projects	-	32,408,525	-	14,827	32,423,352
Debt service	-	-	5,432,254	-	5,432,254
All others	-	-	-	101,184	101,184
Total restricted	1,151,266	32,408,525	5,432,254	118,458	39,110,503
Committed					
Deferred maintenance	-	-	-	21,810	21,810
Total committed	-	-	-	21,810	21,810
Assigned					
Special reserve fund	764,862	-	-	-	764,862
CA standards implementation	575,000	-	-	-	575,000
Child development	-	-	-	80,923	80,923
Total assigned	1,339,862	-	-	80,923	1,420,785
Unassigned					
Reserve for economic uncertainties	1,360,000	-	-	-	1,360,000
Remaining unassigned	5,414,167	-	-	(2,000)	5,412,167
Total unassigned	6,774,167	-	-	(2,000)	6,772,167
Total	\$ 9,317,746	\$ 32,408,525	\$ 5,432,254	\$ 223,915	\$ 47,382,440

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, equal to no less than 9 percent of General Fund expenditures and other financing uses.

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District provides medical, dental and vision benefits to retirees and their covered eligible dependents.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	139
Active plan members	426
Total*	<u>565</u>
Number of participating employers	1

*As of July 1, 2016 actuarial study

B. Funding Policy

The District's contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

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.

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

NOTE 9 – 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	\$ 1,473,000
Interest on net OPEB obligation	153,744
Adjustment to annual required contribution	<u>(137,226)</u>
Annual OPEB cost (expense)	1,489,518
Contributions made	<u>(736,411)</u>
Increase (decrease) in net OPEB obligation	753,107
Net OPEB obligation, beginning of the year	<u>3,843,598</u>
Net OPEB obligation, end of the year	<u>\$ 4,596,705</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:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2017	\$ 1,489,518	49%	\$ 4,596,705
2016	\$ 1,645,059	46%	\$ 3,843,598
2015	\$ 1,642,095	41%	\$ 2,961,694

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

NOTE 9 – 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, 2016	\$ -	\$ 15,069,000	\$ 15,069,000	0%	\$ 26,361,351	57%

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.

In the July 1, 2016 actuarial valuation, the actuarial cost method used was Projected Unit Credit. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefits service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from 4.5% to 7.0% based on benefit. The UAAL is being amortized at a level percentage of payroll method with a remaining amortization period at June 30, 2017 of 29 years.

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

NOTE 10 – 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:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 31,997,936	\$ 5,418,536	\$ 1,146,469	\$ 3,114,531
PERS Pension	11,563,446	3,359,454	360,032	1,531,643
Total	<u>\$ 43,561,382</u>	<u>\$ 8,777,990</u>	<u>\$ 1,506,501</u>	<u>\$ 4,646,174</u>

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.

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

NOTE 10 – 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 \$2,461,916 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 \$1,175,641 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	\$ 31,997,936
State's proportionate share of the net pension liability associated with the District	18,218,536
Total	\$ 50,216,472

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 0.040 percent, which was a decrease of 0.00054 percent from its proportion measured as of June 30, 2015.

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

NOTE 10 – 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 \$3,114,531. In addition, the District recognized pension expense and revenue of \$3,250,609 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	\$ 2,543,820	\$ -
Differences between expected and actual experience	-	780,554
Changes in proportion and differences between District contributions and proportionate share of contributions	412,800	365,915
District contributions subsequent to the measurement date	2,461,916	-
	<u>\$ 5,418,536</u>	<u>\$ 1,146,469</u>

The \$2,461,916 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	\$ 138,058	\$ 203,441
2019	138,058	203,441
2020	1,561,292	203,441
2021	1,036,653	203,441
2022	82,559	203,441
2023	-	129,264
	<u>\$ 2,956,620</u>	<u>\$ 1,146,469</u>

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

NOTE 10 – 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

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

NOTE 10 – 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:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 46,052,246	\$ 31,997,936	\$ 20,325,243

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 10 – 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 \$956,300 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 \$11,563,446 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 0.059 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2015.

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

NOTE 10 – 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 \$1,531,643. 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	\$ 1,794,275	\$ -
Differences between expected and actual experience	497,339	-
Changes in assumptions	-	347,413
Changes in proportion and differences between District contributions and proportionate share of contributions	111,540	12,619
District contributions subsequent to the measurement date	956,300	-
	<u>\$ 3,359,454</u>	<u>\$ 360,032</u>

The \$956,300 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	\$ 531,080	\$ 189,159
2019	510,940	170,873
2020	892,844	-
2021	468,290	-
	<u>\$ 2,403,154</u>	<u>\$ 360,032</u>

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

NOTE 10 – 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.

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

NOTE 10 – 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%
	100%		

* 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:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 17,252,726	\$ 11,563,446	\$ 6,826,001

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

NOTE 10 – PENSION PLANS (continued)

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

Pension plan fiduciary net position

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

NOTE 11 – 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 of \$914,553.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers authorities (JPAs), the Alameda County Schools Insurance Group, and the Schools Excess Liability Fund public risk pool. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

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

NOTE 13 – DEFERRED AMOUNT ON REFUNDING

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 \$1,290,929.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**ALBANY 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		
REVENUES				
LCFF sources	\$ 30,144,964	\$ 30,053,075	\$ 30,079,743	\$ 26,668
Federal sources	1,022,156	1,035,102	1,041,672	6,570
Other state sources	5,023,146	6,028,213	5,523,378	(504,835)
Other local sources	7,455,054	8,052,626	8,909,493	856,867
Total Revenues	43,645,320	45,169,016	45,554,286	385,270
EXPENDITURES				
Certificated salaries	20,463,124	20,639,034	20,676,252	(37,218)
Classified salaries	5,379,448	5,440,431	5,451,166	(10,735)
Employee benefits	13,910,987	13,716,800	13,269,620	447,180
Books and supplies	1,249,670	1,564,355	1,456,876	107,479
Services and other operating expenditures	3,621,106	3,966,262	4,419,882	(453,620)
Capital outlay	-	119,418	122,094	(2,676)
Other outgo				
Transfers of indirect costs	(183,480)	(174,034)	(174,440)	406
Total Expenditures	44,440,855	45,272,266	45,221,450	50,816
Excess (Deficiency) of Revenues				
Over Expenditures	(795,535)	(103,250)	332,836	436,086
Other Financing Sources (Uses)				
Transfers out	(85,000)	(85,000)	(85,000)	-
Net Financing Sources (Uses)	(85,000)	(85,000)	(85,000)	-
NET CHANGE IN FUND BALANCE	(880,535)	(188,250)	247,836	436,086
Fund Balance - Beginning	8,304,048	8,305,048	8,305,048	-
Fund Balance - Ending	\$ 7,423,513	\$ 8,116,798	\$ 8,552,884	\$ 436,086

* 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 reason:

- 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 Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**ALBANY UNIFIED SCHOOL DISTRICT
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	4,417,789	4,417,789	4,570,152	152,363
Other state sources	12,524,986	12,519,080	12,304,107	(214,973)
Total Revenues	16,942,775	16,936,869	16,874,259	(62,610)
EXPENDITURES				
Other outgo				
Excluding transfers of indirect costs	16,942,775	16,936,869	16,874,258	62,611
Total Expenditures	16,942,775	16,936,869	16,874,258	62,611
NET CHANGE IN FUND BALANCE	-	-	1	1
Fund Balance - Beginning	-	-	(1)	(1)
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

See accompanying note to required supplementary information.

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

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, 2016	\$ -	\$ 15,069,000	\$ 15,069,000	0%	\$ 26,361,351	57%
July 1, 2014	\$ -	\$ 16,759,000	\$ 16,759,000	0%	\$ 25,333,493	66%
July 1, 2013	\$ -	\$ 9,463,000	\$ 9,463,000	0%	\$ 22,814,329	41%

See accompanying note to required supplementary information.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.040%	0.040%	0.039%
District's proportionate share of the net pension liability	\$ 31,997,936	\$ 26,994,947	\$ 22,999,230
State's proportionate share of the net pension liability associated with the District	18,218,536	14,277,312	13,887,929
Total	<u>\$ 50,216,472</u>	<u>\$ 41,272,259</u>	<u>\$ 36,887,159</u>
District's covered payroll	\$ 19,651,607	\$ 19,338,526	\$ 18,920,491
District's proportionate share of the net pension liability as a percentage of its covered payroll	162.8%	139.6%	121.6%
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.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.059%	0.058%	0.057%
District's proportionate share of the net pension liability	\$ 11,563,446	\$ 8,562,832	\$ 6,499,469
District's covered payroll	\$ 6,709,744	\$ 7,023,108	\$ 6,413,002
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.3%	121.9%	101.3%
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.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,461,916	\$ 2,077,951	\$ 1,684,606
Contributions in relation to the contractually required contribution*	(2,461,916)	(2,077,951)	(1,684,606)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,651,607	\$ 19,338,526	\$ 18,920,491
Contributions as a percentage of covered payroll	12.53%	10.75%	8.90%

*Amounts do not include on behalf contributions

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 956,300	\$ 832,166	\$ 754,444
Contributions in relation to the contractually required contribution	(956,300)	(832,166)	(754,444)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,709,744	\$ 7,023,108	\$ 6,413,002
Contributions as a percentage of covered payroll	14.25%	11.85%	11.76%

See accompanying note to required supplementary information.

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

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.

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2017, the District incurred excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 20,639,034	\$ 20,676,252	\$ 37,218
Classified salaries	\$ 5,440,431	\$ 5,451,166	\$ 10,735
Services and other operating expenditures	\$ 3,966,262	\$ 4,419,882	\$ 453,620
Capital outlay	\$ 119,418	\$ 122,094	\$ 2,676

**SUPPLEMENTARY
INFORMATION**

**ALBANY 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	Expenditures to Subrecipients
U. S. DEPARTMENT OF EDUCATION:				
<i>Passed through California Department of Education:</i>				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 258,127	\$ -
Title II, Part A, Teacher Quality	84.367	14341	45,739	-
Title III				
Title III, English Learner Student Program	84.365	14346	58,326	-
Title III, Immigrant Education Program	84.365	15146	9,126	-
Subtotal Title III			<u>67,452</u>	<u>-</u>
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	660	-
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,350,611	3,815,322
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	294,894	252,589
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	118,214	102,901
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	340,514	296,406
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,191	-
Subtotal Special Education Cluster			<u>5,105,424</u>	<u>4,467,218</u>
IDEA Early Intervention Grants, Part C	84.181	23761	131,610	102,934
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831	2,812	-
Total U. S. Department of Education			<u>5,611,824</u>	<u>4,570,152</u>
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
Child Nutrition Cluster				
School Breakfast Program - Needy	10.553	13526	41,054	-
National School Lunch Program	10.555	13391	242,857	-
USDA Commodities	10.555	*	59,131	-
Subtotal Child Nutrition Cluster			<u>343,042</u>	<u>-</u>
CACFP Claims - Centers and Family Day Care	10.558	13393	70,132	-
Total U. S. Department of Agriculture			<u>413,174</u>	<u>-</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed through California Department of Education:</i>				
Family Child Care	93.596	13609	97,388	-
Total U. S. Department of Health & Human Services			<u>97,388</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 6,122,386</u>	<u>\$ 4,570,152</u>

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

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

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,025.68	1,024.07
Extended Year Special Education	0.98	1.22
Total TK/K through Third	1,026.66	1,025.29
Fourth through Sixth		
Regular ADA	825.00	825.66
Extended Year Special Education	0.41	0.61
Special Education - Nonpublic Schools	1.03	0.80
Extended Year Special Education - Nonpublic Schools	0.10	0.10
Total Fourth through Sixth	826.54	827.17
Seventh through Eighth		
Regular ADA	603.10	602.71
Extended Year Special Education	-	0.09
Total Seventh through Eighth	603.10	602.80
Ninth through Twelfth		
Regular ADA	1,160.09	1,140.64
Extended Year Special Education	0.51	0.72
Special Education - Nonpublic Schools	3.90	4.22
Extended Year Special Education - Nonpublic Schools	0.63	0.63
Total Ninth through Twelfth	1,165.13	1,146.21
TOTAL SCHOOL DISTRICT	3,621.43	3,601.47

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

Grade Level	Minutes Requirement	2016-17	Number of Days	Status
		Actual Minutes		
Kindergarten	36,000	51,300	180	Complied
Grade 1	50,400	53,750	180	Complied
Grade 2	50,400	53,750	180	Complied
Grade 3	50,400	53,750	180	Complied
Grade 4	54,000	54,675	180	Complied
Grade 5	54,000	54,675	180	Complied
Grade 6	54,000	55,930	180	Complied
Grade 7	54,000	65,300	180	Complied
Grade 8	54,000	65,300	180	Complied
Grade 9	64,800	64,901	180	Complied
Grade 10	64,800	64,901	180	Complied
Grade 11	64,800	64,901	180	Complied
Grade 12	64,800	64,901	180	Complied

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

	2018 (Budget)	2017	2016	2015
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 43,374,646	\$ 45,554,286	\$ 47,164,599	\$ 40,034,326
Expenditures And Other Financing Uses	45,648,576	45,306,450	45,888,153	41,352,664
Net change in Fund Balance	\$ (2,273,930)	\$ 247,836	\$ 1,276,446	\$ (1,318,338)
Ending Fund Balance	\$ 6,278,954	\$ 8,552,884	\$ 8,305,048	\$ 7,029,184
Available Reserves*	\$ 5,408,175	\$ 6,774,167	\$ 6,140,865	\$ 6,457,038
Available Reserves As A Percentage Of Outgo	11.85%	14.95%	13.38%	15.61%
Long-term Debt	\$ 110,608,429	\$ 114,526,402	\$ 75,034,172	\$ 68,775,517
Average Daily Attendance At P-2	3,565	3,621	3,711	3,757

The General Fund balance has increased by \$1,523,700 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$2,273,930. 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 two of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by \$45,750,885 over the past two years.

Average daily attendance has decreased by 136 ADA over the past two years. A further decrease of 56 ADA is anticipated during the 2017-18 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**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 Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

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

	General Fund	Building Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2017, annual financial and budget report fund balance	\$ 8,552,884	\$ 32,616,338	\$ 764,862
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Understatement of accounts payable accrual	-	(207,813)	-
Fund balance transfer (GASB 54)	764,862	-	(764,862)
Net adjustments and reclassifications	764,862	(207,813)	(764,862)
June 30, 2017, audited financial statement fund balance	<u>\$ 9,317,746</u>	<u>\$ 32,408,525</u>	<u>\$ -</u>

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

The District did not sponsor any charter schools during the year ended June 30, 2017.

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS						
Cash and investments	\$ 47,365	\$ 35,519	\$ 23,260	\$ 8,194	\$ -	\$ 114,338
Accounts receivable	115,593	95,545	-	8,986	-	220,124
Stores inventory	-	4,724	-	-	-	4,724
Total Assets	\$ 162,958	\$ 135,788	\$ 23,260	\$ 17,180	\$ -	\$ 339,186
LIABILITIES						
Accrued liabilities	\$ 74,462	\$ 29,880	\$ 1,450	\$ 2,353	\$ -	\$ 108,145
Unearned revenue	7,126	-	-	-	-	7,126
Total Liabilities	81,588	29,880	1,450	2,353	-	115,271
FUND BALANCES						
Non-spendable	-	4,724	-	-	-	4,724
Restricted	2,447	101,184	-	14,827	-	118,458
Committed	-	-	21,810	-	-	21,810
Assigned	80,923	-	-	-	-	80,923
Unassigned	(2,000)	-	-	-	-	(2,000)
Total Fund Balances	81,370	105,908	21,810	14,827	-	223,915
Total Liabilities and Fund Balance	\$ 162,958	\$ 135,788	\$ 23,260	\$ 17,180	\$ -	\$ 339,186

See accompanying note to supplementary information.

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES						
LCFF sources	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ 250,000
Federal sources	167,520	283,911	-	-	-	451,431
Other state sources	646,757	18,066	-	-	-	664,823
Other local sources	1,513,724	739,508	1,253	187,088	2,019	2,443,592
Total Revenues	2,328,001	1,041,485	251,253	187,088	2,019	3,809,846
EXPENDITURES						
Current						
Instruction	1,713,424	-	-	-	-	1,713,424
Pupil services						
Food services	-	991,280	-	-	-	991,280
All other pupil services	8,603	-	-	-	-	8,603
General administration						
All other general administration	126,059	48,381	-	-	-	174,440
Plant services	96,361	-	61,726	134,198	-	292,285
Facilities acquisition and maintenance	-	-	440,839	55,700	607,443	1,103,982
Community services	463,280	-	-	-	-	463,280
Total Expenditures	2,407,727	1,039,661	502,565	189,898	607,443	4,747,294
NET CHANGE IN FUND BALANCE	(79,726)	1,824	(251,312)	(2,810)	(605,424)	(937,448)
Fund Balance - Beginning	161,096	104,084	273,122	17,637	605,424	1,161,363
Fund Balance - Ending	\$ 81,370	\$ 105,908	\$ 21,810	\$ 14,827	\$ -	\$ 223,915

See accompanying note to supplementary information.

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

The Albany Unified School District was established in the early 1900's and is comprised of an area of approximately one square mile. There were no changes to the boundaries of the District during the current year. The District serves the City of Albany and offers instruction for Grades TK-12. The District is currently operating three elementary schools, one middle school, one comprehensive high school, one continuation high school, and one child development program.

GOVERNING BOARD

Member	Office	Term Expires
Paul Black	President	November 2018
Ross Stapleton-Gray	Vice President	November 2018
Charles Blanchard	Member	November 2018
Jacob Clark	Member	November 2020
Kim Trutane	Member	November 2020

DISTRICT ADMINISTRATORS

Val Williams
Superintendent

Allan Garde
Chief Business Official

Cynthia Attiyeh
Director III, Human Resources

Peter Parenti
Director III, Curriculum, Instruction & Assessment

Marie Williams
Director III, Educational & Student Services

Diane Marie
Director of Special Education

Jackie Manibusan
Communications Manager

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

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 District passes through certain Federal assistance received to other governments (subrecipients). The subrecipient agencies have certain compliance responsibilities related to administering these Federal programs. The District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

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.

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.

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

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.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**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**

Independent Auditors' Report

Governing Board
Albany Unified School District
Albany, 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 Albany 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 Albany Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albany 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 Albany Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Albany 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albany 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*.

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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 14, 2017

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Albany Unified School District
Albany, California

Report on Compliance for Each Major Federal Program

We have audited Albany 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 Albany Unified School District's major federal programs for the year ended June 30, 2017. Albany 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 Albany 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 Albany Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
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San Diego, CA 92103

toll-free: 877.220.7229
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fax: 619.260.9085
www.christywhite.com

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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 Albany Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Albany 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.

Management of Albany 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 Albany 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 Albany 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
December 14, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Albany Unified School District
Albany, California

Report on State Compliance

We have audited Albany 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 Albany 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 Albany 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 Albany 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 Albany Unified School District's compliance with those requirements.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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Opinion on State Compliance

In our opinion, Albany 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2017-001. Our opinion on state compliance is not modified with respect to this matter.

Albany Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Albany Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	No
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	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Not Applicable
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 Continuation Education, because it did not meet the threshold required for testing.

Christy White Associates

San Diego, California
December 14, 2017

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

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

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>None Reported</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>	
84.027, 84.173, 84.027A, 84.173A	Special Education 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>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

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

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no financial statement findings for the year ended June 30, 2017.

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

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2017.

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

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2017-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners (EL) 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 2016-17 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: 4 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English Learners (EL) were reclassified as English proficient during prior years. An additional 5 of 60 students tested Early Advance or higher and were not re-designated as English Proficient. Supporting documentation for designation was not provided to verify designation for 26 of 60 students selected for testing. Exceptions were noted on a total of 35 out of 60 students Upon extrapolation of the total population of 283, we calculated 130 additional students for a total of 170 students not properly designated.

Cause: Oversight by the District. Students were reclassified prior to 2016-17 academic year, and not updated in the CalPADS system

Effect: The District is not in compliance with State requirements.

Context: 165 of 3,353 (1,191 in 2014-15, 1,072 in 2015-16, and 1,090 in 2016-17) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their EL designation.

Questioned Cost: \$47,129, as calculated on next page.

Recommendation: We recommend that the District ensure that all students listed as EL in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

District Response: The school district will provide training to staff connected to classifying English Learners into the Student Information System in the Fall. Prior to certifying the data, staff connected to classifying English Learners will review each student to ensure accuracy.

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

**FINDING #2017-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)**

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2			11,403	
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2			3,353	
3	Audit Adjustment - Number of Enrollment			-	
4	Audit Adjustment - Number of Unduplicated Pupil Count			(165)	
5	Revised Adjusted Enrollment			11,403	
6	Revised Adjusted Unduplicated Pupil Count			3,188	
7	UPP calculated as of P-2			0.2940	
8	Revised UPP for audit finding			0.2796	
9	Charter Schools Only: Determinative School District Concentration Cap			-	
10	Revised UPP adjusted for Concentration Cap			0.2796	
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	1,102.02	846.99	558.23	1,205.73
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$7,403	\$8,578
11	Target Supplemental Grant Funding calculated as of P-2				\$1,715,910
12	Revised Target Supplemental Grant Funding for audit finding				\$1,631,866
13	Target Supplemental Grant Funding audit adjustment				(\$84,044)
LCFF Target Concentration Grant Funding Audit Adjustment					
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				\$0
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$84,044)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$47,129)

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

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:

ALBANY MIDDLE SCHOOL

- Two (2) out of 10 cash receipts did not have adequate supporting documentation. The two cash receipts did not have an itemization or breakdown that shows the quantity sold and the cost of each item sold. The only supporting documentation provided were the cash receipts, cash count form, and deposit slip.

ALBANY HIGH SCHOOL

- Two (2) out of 10 cash receipts did not have adequate supporting documentation. The only documentation provided was the cash receipt, money deposit form and deposit slip. The cash receipts lacked an itemization or breakdown of the items sold, the quantity and the price per item.

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

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

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 the District implement procedures to ensure that adequate supporting documentation is maintained for ASB cash collections. The District should utilize ticket logs, tally sheets and/or sales detail forms that indicate number of items sold and the prices to support student funds cash collection activities. 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: Staff will attend training on ASB Compliance.

Current Status: Implemented.

**ALBANY 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)

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: 6 of 24 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to support their designation. Upon testing of 100% of the FRPM population, an additional 34 students were identified for a total of 40 ineligible students.

Cause: Incorrect classification of students.

Effect: The District is not in compliance with State requirements.

Context: 40 of 3,608 (1,305 in 2013-14, 1,191 in 2014-15, and 1,112 in 2015-16) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

Questioned Cost: \$10,959, as calculated on next page.

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 have proper documentation to support their CALPADS designation.

District Response: Food Service, Student Services, Technology, and Business will implement additional procedures prior to the certification of CALPADS to ensure compliance.

Current Status: Implemented for FRPM, but see Finding #2017-001 for Unduplicated LCFF Pupil Count exception related to EL.

ALBANY 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 Cost: \$10,959, 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	11,540	11,582
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	3,608	3,494
3	Number of Unduplicated Pupil Count audit adjustment		(40)
4	Revised Adjusted Unduplicated Pupil Count	3,568	3,454
5	UPP calculated as of P-2	0.3127	0.3017
6	Revised UPP for audit finding	0.3092	0.2982
7	Greater of Revised UPP for audit finding from Section 1 or 2		0.3092
8	Charter Schools Only: Determinative School District Concentration Cap		-
9	Revised UPP adjusted for Concentration Cap		0.3092
LCFF Target Base Grant Funding		Estimated Values	
10	Total Base Grant Funding as of P-2	\$29,788,422	
LCFF Target Supplemental Grant Funding Audit Adjustment			
11	Target Supplemental Grant Funding calculated as of P-2	\$1,862,968	
12	Revised Target Supplemental Grant Funding for audit finding	\$1,842,116	
13	Target Supplemental Grant Funding audit adjustment	(\$20,852)	
LCFF Target Concentration Grant Funding Audit Adjustment			
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	\$0	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target			
17	Total Target Supplemental and Concentration audit adjustment	(\$20,852)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$10,959)	