

12/15/2018

ALAMEDA UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

ALAMEDA UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds – Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Fiduciary Funds – Statement of Net Position.....	18
Fiduciary Funds – Statement of Changes in Net Position.....	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	58
Schedule of Changes in Total OPEB Liability and Related Ratios.....	59
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS	60
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	61
Schedule of District Contributions - CalSTRS	62
Schedule of District Contributions - CalPERS.....	63
Notes to Required Supplementary Information.....	64

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	66
Schedule of Average Daily Attendance (ADA).....	67
Schedule of Instructional Time	68
Schedule of Financial Trends and Analysis	69
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	70
Schedule of Charter Schools.....	71
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	73
Local Education Agency Organization Structure	74
Notes to Supplementary Information.....	75

**ALAMEDA UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018**

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* 77
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 79
Report on State Compliance..... 81

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 84
Financial Statement Findings..... 85
Federal Award Findings and Questioned Costs 86
State Award Findings and Questioned Costs..... 87
Summary Schedule of Prior Audit Findings 88

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Alameda Unified School District
Alameda, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alameda Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Alameda Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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State Board of Accountancy

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Alameda Unified School District, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 Alameda Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alameda Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of Alameda Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alameda Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alameda Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 13, 2018

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

INTRODUCTION

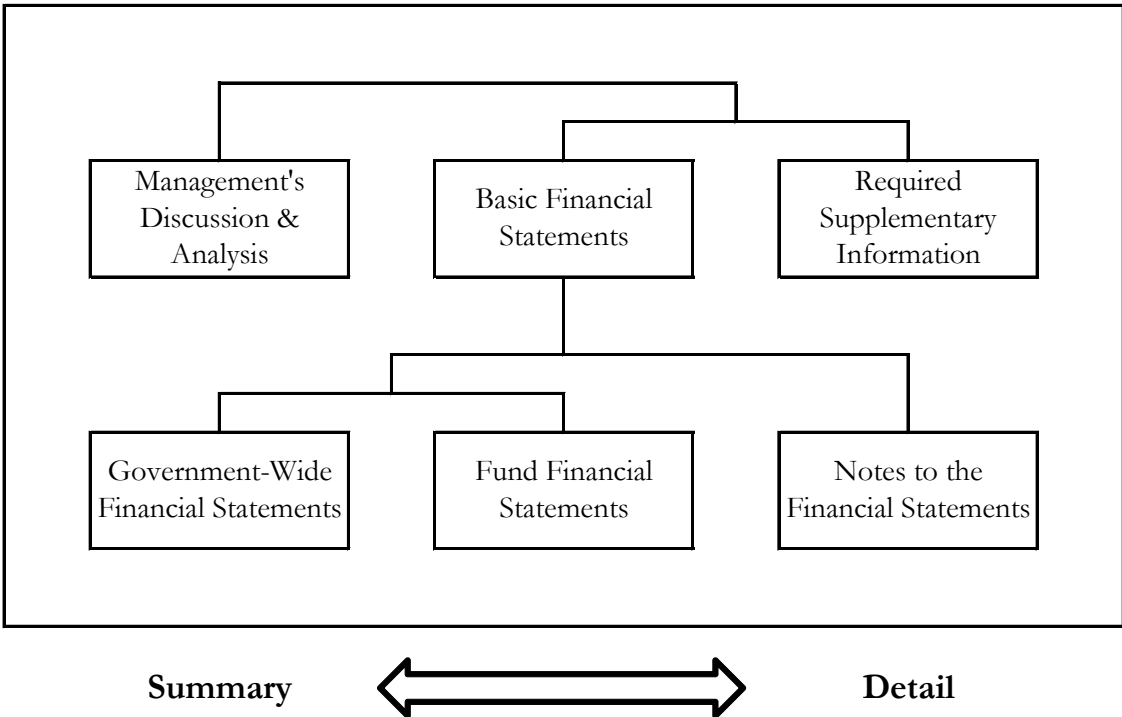
Our discussion and analysis of Alameda Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$(64,926,535) at June 30, 2018. This was an increase of \$14,939,468 from the prior year after restatement.
- Overall revenues were \$147,111,830 which exceeded expenses of \$132,172,362.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**ALAMEDA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(64,926,535) at June 30, 2018, as reflected in the table below. Of this amount, \$(131,375,099) 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		
	2018	2017	Net Change
ASSETS			
Current and other assets	\$142,692,819	\$125,245,942	\$ 17,446,877
Capital assets	135,606,671	100,223,595	35,383,076
Total Assets	278,299,490	225,469,537	52,829,953
DEFERRED OUTFLOWS OF RESOURCES	41,536,460	23,494,442	18,042,018
LIABILITIES			
Current liabilities	22,702,408	23,406,872	(704,464)
Long-term liabilities	351,734,234	283,160,322	68,573,912
Total Liabilities	374,436,642	306,567,194	67,869,448
DEFERRED INFLOWS OF RESOURCES	10,325,843	5,676,432	4,649,411
NET POSITION			
Net investment in capital assets	23,480,463	20,603,117	2,877,346
Restricted	42,968,101	25,846,053	17,122,048
Unrestricted	(131,375,099)	(109,728,817)	(21,646,282)
Total Net Position	\$ (64,926,535)	\$ (63,279,647)	\$ (1,646,888)

**ALAMEDA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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 and expenses for the year.

	Governmental Activities		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 941,419	\$ 915,515	\$ 25,904
Operating grants and contributions	21,733,576	25,158,721	(3,425,145)
Capital grants and contributions	16,164,501	-	16,164,501
General revenues			
Property taxes	55,322,249	54,940,855	381,394
Unrestricted federal and state aid	47,996,858	49,700,861	(1,704,003)
Other	4,953,227	3,100,436	1,852,791
Total Revenues	147,111,830	133,816,388	13,295,442
EXPENSES			
Instruction	77,681,866	80,037,398	(2,355,532)
Instruction-related services	11,627,366	13,020,075	(1,392,709)
Pupil services	10,063,622	12,101,098	(2,037,476)
General administration	7,651,625	7,544,326	107,299
Plant services	11,573,413	11,890,907	(317,494)
Ancillary and community services	1,860,648	2,101,970	(241,322)
Debt service	11,130,817	8,081,094	3,049,723
Other outgo	583,005	595,450	(12,445)
Total Expenses	132,172,362	135,372,318	(3,199,956)
Change in net position	14,939,468	(1,555,930)	16,495,398
Net Position - Beginning, as Restated*	(79,866,003)	(61,723,647)	(18,142,356)
Net Position - Ending	\$ (64,926,535)	\$ (63,279,577)	\$ (1,646,958)

* Beginning Net Position was restated for the 2018 year only

**ALAMEDA UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all our governmental activities this year was \$132,172,362, while net cost of activities was \$93,332,866 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was \$55,322,249 the remaining cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

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	
	2018	2017
Instruction	\$ 49,196,129	\$ 62,548,591
Instruction-related services	10,127,778	11,460,781
Pupil services	6,444,897	8,227,641
General administration	6,921,069	6,762,496
Plant services	8,699,317	10,954,422
Ancillary and community services	1,192,200	1,412,680
Debt service	11,130,817	8,081,094
Transfers to other agencies	(379,341)	(149,623)
Total Expenses	\$ 93,332,866	\$ 109,298,082

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 \$125,898,638, which is more than last year’s ending fund balance of \$115,807,020. The District’s General Fund had \$4,171,831 less in operating revenues than expenditures for the year ended June 30, 2018. The District’s Building Fund had \$33,273,086 less in operating revenues than expenditures for the year ended June 30, 2018. The District’s County School Facilities Fund had \$16,164,501 more in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the District had invested \$135,606,671 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	\$ 5,830,031	\$ 4,794,916	\$ 1,035,115
Construction in progress	42,346,585	18,889,695	23,456,890
Land improvements	9,157,307	9,148,451	8,856
Buildings & improvements	159,993,102	142,641,328	17,351,774
Furniture & equipment	4,862,952	4,727,749	135,203
Accumulated depreciation	(86,583,306)	(79,978,544)	(6,604,762)
Total Capital Assets	\$135,606,671	\$100,223,595	\$ 35,383,076

Long-Term Liabilities

At year-end, the District had \$351,734,234 in long-term liabilities, an increase of 24% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$211,933,483	\$187,136,956	\$ 24,796,527
Lease purchase agreement	5,988,000	-	5,988,000
Compensated absences	479,678	319,043	160,635
Total OPEB liability	21,995,759	4,875,523	17,120,236
Net pension liability	115,372,475	103,076,995	12,295,480
Less: current portion of long-term debt	(4,035,161)	(12,248,195)	8,213,034
Total Long-term Liabilities	\$351,734,234	\$283,160,322	\$ 68,573,912

**ALAMEDA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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.

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, 2018. 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 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ALAMEDA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 137,757,267
Accounts receivable	4,880,392
Inventory	55,160
Capital assets, not depreciated	48,176,616
Capital assets, net of accumulated depreciation	87,430,055
Total Assets	278,299,490
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	35,792,703
Deferred outflows related to OPEB	5,686,520
Deferred amount on refunding	57,237
Total Deferred Outflows of Resources	41,536,460
LIABILITIES	
Accrued liabilities	17,549,395
Unearned revenue	1,117,852
Long-term liabilities, current portion	4,035,161
Long-term liabilities, non-current portion	351,734,234
Total Liabilities	374,436,642
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	9,329,283
Deferred inflows related to OPEB	996,560
Total Deferred Inflows of Resources	10,325,843
NET POSITION	
Net investment in capital assets	23,480,463
Restricted:	
Capital projects	25,171,123
Debt service	9,661,792
Educational programs	7,266,637
All others	868,549
Unrestricted	(131,375,099)
Total Net Position	\$ (64,926,535)

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 77,681,866	\$ 64,480	\$ 12,256,756	\$ 16,164,501	\$ (49,196,129)
Instruction-related services					
Instructional supervision and administration	3,116,954	9,915	846,747	-	(2,260,292)
Instructional library, media, and technology	869,278	6	9,167	-	(860,105)
School site administration	7,641,134	5,576	628,177	-	(7,007,381)
Pupil services					
Home-to-school transportation	2,247,202	-	-	-	(2,247,202)
Food services	2,933,763	801,277	2,002,532	-	(129,954)
All other pupil services	4,882,657	1,074	813,842	-	(4,067,741)
General administration					
Centralized data processing	1,922,580	27	17,153	-	(1,905,400)
All other general administration	5,729,045	46,670	666,706	-	(5,015,669)
Plant services	11,573,413	11,162	2,862,934	-	(8,699,317)
Ancillary services	1,748,799	43	648,981	-	(1,099,775)
Community services	111,849	-	19,424	-	(92,425)
Interest on long-term debt	11,130,817	-	-	-	(11,130,817)
Other outgo	583,005	1,189	961,157	-	379,341
Total Governmental Activities	\$ 132,172,362	\$ 941,419	\$ 21,733,576	\$ 16,164,501	(93,332,866)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					33,207,027
Property taxes, levied for debt service					8,974,572
Property taxes, levied for other specific purposes					13,140,650
Federal and state aid not restricted for specific purposes					47,996,858
Interest and investment earnings					468,446
Interagency revenues					583,899
Miscellaneous					3,900,882
Subtotal, General Revenue					108,272,334
CHANGE IN NET POSITION					14,939,468
Net Position - Beginning, as Restated					(79,866,003)
Net Position - Ending					\$ (64,926,535)

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 35,883,905	\$ 63,989,933	\$ 16,110,678	\$ 21,772,751	\$ 137,757,267
Accounts receivable	3,951,368	198,220	53,823	676,981	4,880,392
Stores inventory	-	-	-	55,160	55,160
Total Assets	\$ 39,835,273	\$ 64,188,153	\$ 16,164,501	\$ 22,504,892	\$ 142,692,819
LIABILITIES					
Accrued liabilities	\$ 9,748,673	\$ 5,634,419	\$ -	\$ 293,237	\$ 15,676,329
Unearned revenue	1,082,915	-	-	34,937	1,117,852
Total Liabilities	10,831,588	5,634,419	-	328,174	16,794,181
FUND BALANCES					
Nonspendable	50,000	-	-	56,168	106,168
Restricted	6,600,400	58,553,734	16,164,501	22,076,266	103,394,901
Committed	4,895,649	-	-	-	4,895,649
Assigned	4,572,491	-	-	44,284	4,616,775
Unassigned	12,885,145	-	-	-	12,885,145
Total Fund Balances	29,003,685	58,553,734	16,164,501	22,176,718	125,898,638
Total Liabilities and Fund Balances	\$ 39,835,273	\$ 64,188,153	\$ 16,164,501	\$ 22,504,892	\$ 142,692,819

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds \$ 125,898,638

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	\$ 222,189,977	
Accumulated depreciation	<u>(86,583,306)</u>	135,606,671

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:

57,237

Unmatured interest on long-term debt:

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

(1,873,066)

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	\$ 211,933,483	
Lease purchase agreement	5,988,000	
Compensated absences	479,678	
Total OPEB liability	21,995,759	
Net pension liability	<u>115,372,475</u>	(355,769,395)

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	\$ 35,792,703	
Deferred inflows of resources related to pensions	<u>(9,329,283)</u>	26,463,420

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 5,686,520	
Deferred inflows of resources related to OPEB	<u>(996,560)</u>	4,689,960

Total Net Position - Governmental Activities \$ (64,926,535)

**ALAMEDA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 77,992,775	\$ -	\$ -	\$ -	\$ 77,992,775
Federal sources	3,942,923	-	-	2,473,712	6,416,635
Other state sources	10,227,108	-	16,072,768	2,214,596	28,514,472
Other local sources	20,088,972	648,205	91,733	13,351,774	34,180,684
Total Revenues	112,251,778	648,205	16,164,501	18,040,082	147,104,566
EXPENDITURES					
Current					
Instruction	72,035,688	-	-	1,977,801	74,013,489
Instruction-related services					
Instructional supervision and administration	3,175,257	-	-	165,139	3,340,396
Instructional library, media, and technology	865,768	-	-	-	865,768
School site administration	7,248,269	-	-	458,353	7,706,622
Pupil services					
Home-to-school transportation	1,741,131	-	-	-	1,741,131
Food services	-	-	-	2,839,641	2,839,641
All other pupil services	5,352,440	-	-	88,683	5,441,123
General administration					
Centralized data processing	2,045,775	-	-	-	2,045,775
All other general administration	5,187,478	-	-	238,550	5,426,028
Plant services	9,763,009	710,739	-	445,172	10,918,920
Facilities acquisition and maintenance	6,421,375	33,210,552	-	449,730	40,081,657
Ancillary services	1,718,421	-	-	-	1,718,421
Community services	103,717	-	-	-	103,717
Transfers to other agencies	577,281	-	-	-	577,281
Debt service					
Principal	-	-	-	9,368,833	9,368,833
Interest and other	188,000	-	-	6,655,094	6,843,094
Total Expenditures	116,423,609	33,921,291	-	22,686,996	173,031,896
Excess (Deficiency) of Revenues					
Over Expenditures	(4,171,831)	(33,273,086)	16,164,501	(4,646,914)	(25,927,330)
Other Financing Sources (Uses)					
Transfers in	-	-	-	307,950	307,950
Other sources	5,988,000	27,000,000	-	3,030,948	36,018,948
Transfers out	(307,950)	-	-	-	(307,950)
Net Financing Sources (Uses)	5,680,050	27,000,000	-	3,338,898	36,018,948
NET CHANGE IN FUND BALANCE	1,508,219	(6,273,086)	16,164,501	(1,308,016)	10,091,618
Fund Balance - Beginning	27,495,466	64,826,820	-	23,484,734	115,807,020
Fund Balance - Ending	\$ 29,003,685	\$ 58,553,734	\$ 16,164,501	\$ 22,176,718	\$ 125,898,638

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Governmental Funds \$ 10,091,618

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:	\$ 41,993,338	
Depreciation expense:	<u>(6,608,245)</u>	35,385,093

Debt service:

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

9,368,833

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:

(36,018,948)

Deferred amounts on refunding:

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

(5,724)

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(2,017)

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:

(153,311)

(continued on the following page)

**ALAMEDA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (4,557,607)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (160,635)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 4,156,080

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: (3,587,109)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 423,195

Change in Net Position of Governmental Activities \$ 14,939,468

ALAMEDA UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>Trust Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
ASSETS		
Cash and investments	\$ 394,318	\$ 359,454
Accounts receivable	1,339	-
Total Assets	<u>395,657</u>	<u>\$ 359,454</u>
LIABILITIES		
Due to student groups	-	\$ 359,454
Total Liabilities	<u>-</u>	<u>\$ 359,454</u>
NET POSITION		
Restricted	395,657	
Total Net Position	<u>\$ 395,657</u>	

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

ALAMEDA UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Trust Fund</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 4,543
Other	2,000
Total Additions	<u>6,543</u>
DEDUCTIONS	
Other trust activities	<u>21,300</u>
Total Deductions	<u>21,300</u>
CHANGE IN NET POSITION	(14,757)
Net Position - Beginning	<u>410,414</u>
Net Position - Ending	<u>\$ 395,657</u>

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

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Alameda Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

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

B. Component Units

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

C. Basis of Presentation

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

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

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

C. Basis of Presentation (*continued*)

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

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

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

Major Governmental Funds

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

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

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.*).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

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

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Special Revenue Funds (*continued*)

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

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

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

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

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

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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*)

Fiduciary Funds

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

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

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

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

Governmental Funds

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

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

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

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

Expenses/Expenditures

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

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

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

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

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

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

Capital Assets

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

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

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

Interfund Balances

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

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

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

Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 – June 30, 2018

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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*)

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Fund Balance

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

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

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

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

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

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

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

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

J. New Accounting Pronouncements and Changes in Accounting Principals

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard’s primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard’s primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Investment in county treasury	\$ 137,636,351	\$ 394,318
Cash on hand and in banks	69,908	359,454
Cash in revolving fund	51,008	-
Total cash and investments	<u>\$ 137,757,267</u>	<u>\$ 753,772</u>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

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.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS

B. 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.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

C. 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 \$137,759,266 and an amortized book value of \$138,030,669. The average weighted maturity for this pool is 357 days.

D. 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, 2018, the pooled investments in the County Treasury were not rated.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

E. 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, 2018, the District's bank balance was not exposed to custodial credit risk.

F. 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, 2018 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 137,759,266
Total fair market value of investments	\$ 137,759,266

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government						
Categorical aid	\$ 2,250,471	\$ -	\$ -	\$ 532,409	\$ 2,782,880	\$ -
State Government						
Categorical aid	576,471	-	-	60,275	636,746	-
Lottery	399,234	-	-	-	399,234	-
Local Government						
Other local sources	725,192	198,220	53,823	84,297	1,061,532	1,339
Total	\$ 3,951,368	\$ 198,220	\$ 53,823	\$ 676,981	\$ 4,880,392	\$ 1,339

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,794,916	\$ 1,035,115	\$ -	\$ 5,830,031
Construction in progress	18,889,695	30,194,546	6,737,656	42,346,585
Total Capital Assets not Being Depreciated	23,684,611	31,229,661	6,737,656	48,176,616
Capital assets being depreciated				
Land improvements	9,148,451	8,856	-	9,157,307
Buildings & improvements	142,641,328	17,351,774	-	159,993,102
Furniture & equipment	4,727,749	140,703	5,500	4,862,952
Total Capital Assets Being Depreciated	156,517,528	17,501,333	5,500	174,013,361
Less Accumulated Depreciation				
Land improvements	2,973,364	333,222	-	3,306,586
Buildings & improvements	74,735,320	5,971,419	-	80,706,739
Furniture & equipment	2,269,860	303,604	3,483	2,569,981
Total Accumulated Depreciation	79,978,544	6,608,245	3,483	86,583,306
Governmental Activities				
Capital Assets, net	\$ 100,223,595	\$ 42,122,749	\$ 6,739,673	\$ 135,606,671

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense has been allocated to governmental activities as follows:

Instruction	\$ 3,705,985
Instructional supervision and administration	188,374
Instructional library, media, and technology	59,149
School site administration	537,654
Home-to-school transportation	508,083
Food services	192,193
All other pupil services	52,027
All other general administration	481,801
Plant services	742,840
Ancillary services	128,359
Community services	11,780
Total Depreciation Expense	\$ 6,608,245

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

The individual interfund transfer for the year ended June 30, 2018 consisted of a transfer from General Fund to the Special Reserve Fund for Capital Outlay Projects for the contribution to cover expenditures totaling \$307,950.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 224,374	\$ -	\$ 17,799	\$ -	\$ 242,173
Construction	-	5,634,419	236,343	-	5,870,762
Vendors payable	9,524,299	-	39,095	-	9,563,394
Unmatured interest	-	-	-	1,873,066	1,873,066
Total	\$ 9,748,673	\$ 5,634,419	\$ 293,237	\$ 1,873,066	\$ 17,549,395

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 171,501	\$ -	\$ 171,501
State categorical sources	714,614	34,937	749,551
Local sources	196,800	-	196,800
Total	\$ 1,082,915	\$ 34,937	\$ 1,117,852

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 135,566,830	\$ 27,000,000	\$ 9,368,833	\$ 153,197,997	\$ 3,265,728
Unamortized premium	9,082,029	3,030,948	429,495	11,683,482	550,733
Unamortized discount	(138,600)	-	(6,300)	(132,300)	(6,300)
Accreted interest	42,626,697	4,557,607	-	47,184,304	-
Total general obligation bonds	187,136,956	34,588,555	9,792,028	211,933,483	3,810,161
Lease purchase agreement	-	5,988,000	-	5,988,000	225,000
Compensated absences	319,043	160,635	-	479,678	-
Total OPEB liability	21,461,879	533,880	-	21,995,759	-
Net pension liability	103,076,995	12,295,480	-	115,372,475	-
Total	\$ 311,994,873	\$ 53,566,550	\$ 9,792,028	\$ 355,769,395	\$ 4,035,161

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

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2018
					Outstanding July 01, 2017	Additions	Deductions	
Election 2004, Series A	October 13, 2004	August 1, 2029	2.50% - 5.48%	\$ 40,998,093	\$ 58,710,614	\$ 2,874,470	\$ 3,148,833	\$ 58,436,251
Election 2004, Series B	June 21, 2005	August 1, 2036	3.25% - 5.09%	21,997,233	32,067,913	1,683,137	-	33,751,050
Election 2014, Series A	June 5, 2015	August 1, 2039	2.00% - 5.00%	90,000,000	84,240,000	-	6,030,000	78,210,000
Election 2014, Series B	April 6, 2018	August 1, 2042	3.00% - 5.00%	27,000,000	-	27,000,000	-	27,000,000
2015 Refunding	June 5, 2015	August 1, 2027	2.00% - 5.00%	3,405,000	3,175,000	-	190,000	2,985,000
					\$ 178,193,527	\$ 31,557,607	\$ 9,368,833	\$ 200,382,301

Election 2004

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

Series A, which was issued on October 13, 2004 for \$40,998,093 with interest rates ranging from 2.50% to 5.48%. The original issuance consisted of \$3,000,000 in current interest serial bonds and \$37,998,093 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2018 amounted to \$58,436,251. The bonds mature through August 2029 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 3,060,728	\$ 2,724,272	\$ 5,785,000
2020	2,979,434	2,995,566	5,975,000
2021	2,881,328	3,288,672	6,170,000
2022	2,792,990	3,577,010	6,370,000
2023	2,711,399	3,863,061	6,574,460
2024 - 2028	12,269,048	23,960,952	36,230,000
2029 - 2030	875,836	7,844,163	8,719,999
Accretion	30,865,488	(30,865,488)	-
Total	\$ 58,436,251	\$ 17,388,208	\$ 75,824,459

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Series B, which was issued on June 21, 2005 for \$21,997,233 with interest rates ranging from 3.25% to 5.09%. The original issuance consisted of \$4,565,000 in current interest serial bonds and \$17,432,233 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2018 amounted to \$33,751,050. The bonds mature through August 2036 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024 - 2028	-	-	-
2029 - 2033	10,299,334	26,065,666	36,365,000
2034 - 2037	7,132,899	28,032,101	35,165,000
Accretion	16,318,817	(16,318,817)	-
Total	\$ 33,751,050	\$ 37,778,950	\$ 71,530,000

Election 2014

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

Series A, which was issued on June 5, 2015 for \$90,000,000 with interest rates ranging from 2.00% to 5.00%. The issuance consisted of current interest serial bonds. The principal balance outstanding on June 30, 2018 amounted to \$78,210,000. The bonds mature through August 2039 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 3,832,375	\$ 3,832,375
2020	-	3,832,375	3,832,375
2021	-	3,832,375	3,832,375
2022	-	3,832,375	3,832,375
2023	-	3,832,375	3,832,375
2024 - 2028	2,840,000	18,974,625	21,814,625
2029 - 2033	14,485,000	17,021,063	31,506,063
2034 - 2038	38,110,000	10,673,500	48,783,500
2039 - 2040	22,775,000	1,163,625	23,938,625
Total	\$ 78,210,000	\$ 66,994,688	\$ 145,204,688

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT (*continued*)

A. General Obligation Bonds (*continued*)

Series B, which was issued on April 6, 2018 for \$27,000,000 with interest rates ranging from 3.00% to 5.00%. The issuance consisted of current interest serial bonds. The principal balance outstanding on June 30, 2018 amounted to \$27,000,000. The bonds mature through August 2042 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ -	\$ 890,372	\$ 890,372
2020	3,560,000	1,174,700	4,734,700
2021	4,100,000	1,039,300	5,139,300
2022	450,000	948,300	1,398,300
2023	215,000	935,000	1,150,000
2024 - 2028	1,915,000	4,443,850	6,358,850
2029 - 2033	2,530,000	3,872,000	6,402,000
2034 - 2038	1,790,000	3,327,750	5,117,750
2039 - 2043	12,440,000	2,115,250	14,555,250
Total	\$ 27,000,000	\$ 18,746,522	\$ 45,746,522

2015 Refunding

The 2015 Refunding Bonds, which was issued on June 5, 2015 for \$3,405,000 with interest rates ranging from 2.00% to 5.00%. The issuance consisted of current interest serial bonds. The principal balance outstanding on June 30, 2018 amounted to \$2,985,000. These bonds were issued to refund the Election 2004, Series B current interest bond maturities August 1, 2016 – August 1, 2027.

Year Ended June 30,	Principal	Interest	Total
2019	\$ 205,000	\$ 108,288	\$ 313,288
2020	220,000	104,038	324,038
2021	235,000	98,313	333,313
2022	250,000	89,788	339,788
2023	280,000	77,788	357,788
2024 - 2028	1,795,000	190,181	1,985,181
Total	\$ 2,985,000	\$ 668,396	\$ 3,653,396

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT (continued)

B. Lease Purchase Agreement

In order to finance costs associated with the acquisition of the District Office located at 2060 Challenger Drive, the District entered into a lease with the Public Property Financing Corporation of California (Lessor) on December 1, 2017. The Lessor has agreed to sublease the property back to the District and the District will be obligated to make lease payments as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 225,000	\$ 184,085	\$ 409,085
2020	227,000	177,479	404,479
2021	233,000	169,799	402,799
2022	241,000	162,374	403,374
2023	249,000	154,698	403,698
2024 - 2028	1,364,000	650,511	2,014,511
2029 - 2033	1,591,000	418,988	2,009,988
2034 - 2038	1,858,000	149,273	2,007,273
Total	\$ 5,988,000	\$ 2,067,207	\$ 8,055,207

C. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$479,678. This amount is included as part of long-term liabilities in the government-wide financial statements.

D. Other Postemployment Benefits

The District's restated beginning total OPEB liability was \$21,461,879 and increased by \$533,880 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was \$21,995,759. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was \$103,076,995 and increased by \$12,295,480 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$115,372,475. See Note 11 for additional information regarding the net pension liability.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ 1,008	\$ 51,008
Stores inventory	-	-	-	55,160	55,160
Total non-spendable	50,000	-	-	56,168	106,168
Restricted					
Educational programs	6,600,400	-	-	666,237	7,266,637
Capital projects	-	58,553,734	16,164,501	9,006,622	83,724,857
Debt service	-	-	-	11,534,858	11,534,858
All others	-	-	-	868,549	868,549
Total restricted	6,600,400	58,553,734	16,164,501	22,076,266	103,394,901
Committed					
Other commitments	4,895,649	-	-	-	4,895,649
Total committed	4,895,649	-	-	-	4,895,649
Assigned					
LCFF Supplemental	1,061,408	-	-	-	1,061,408
JROTC	108,456	-	-	-	108,456
AP Exam	4,545	-	-	-	4,545
Purchase Orders Carried over to 2019	1,494,903	-	-	-	1,494,903
Lottery	219,297	-	-	-	219,297
Deferred Maintenance	1,683,882	-	-	-	1,683,882
Adult Education	-	-	-	44,225	44,225
Child Development	-	-	-	59	59
Total assigned	4,572,491	-	-	44,284	4,616,775
Unassigned					
Reserve for economic uncertainties	3,307,053	-	-	-	3,307,053
Remaining unassigned	9,578,092	-	-	-	9,578,092
Total unassigned	12,885,145	-	-	-	12,885,145
Total	\$ 29,003,685	\$ 58,553,734	\$ 16,164,501	\$ 22,176,718	\$ 125,898,638

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

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Alameda Unified School District’s defined benefit OPEB plan, Alameda Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the district.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are as follows:

- **ACSA (Management)** - Employees must be between the ages 55 and 65 with 10 or more years of service to be eligible for retiree benefits.
- **AEA (Teachers)** - Employees must be between the ages 52 and 65 to be eligible for retiree benefits.
- **CSEA 27 (Clerical)** - Employees must be between the ages 52 and 65 with 15 or more years of service to be eligible for retiree benefits.
- **CSEA 27 (Paraprofessional)** - Employees must be age 50 with 12 or more years of service to be eligible for retiree benefits.
- **CSEA 860** - Employees must be age 50 with 15 or more years of service to be eligible for retiree benefits.

C. Contributions

The contribution requirements of Plan members and the Alameda Unified School District are established and may be amended by the Alameda Unified School District and the Alameda Teachers’ Association and the local California Service Employees Association. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	734
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	280
Total number of participants**	1,014

*Information not provided

**As of the June 30, 2018 valuation date

E. Total OPEB Liability

The Alameda Unified School District’s total OPEB liability of \$21,995,759 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.50%
Salary increases	3.50%
Investment rate of return	3.00%
Healthcare cost trend rates	4.65%

Census Data - The census was provided by the District as of May 2017.

Marriage Rate - it is assumed that 25% of future eligible retirees will cover a spouse on the District-sponsored medical plan at retirement.

Spouse Age - Spouse dates of birth were not provided by the District. Male spouses are assumed to be three years older than female spouses.

Medicare Eligibility - All current and future retirees are assumed to be eligible for Medicare at age 65.

Actuarial Cost Method - Entry Age Normal based on level percentage of projected salary

Amortization Method - Experience gains and losses are amortized over a closed period of 8.7 years starting on June 30, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).

Mortality Rates - RP-2014 Generational table with MP-2016 Projection Scale, applied on a gender-specific basis.

The actuarial assumptions used in the June 30, 2018 valuation were based on a review of plan experience during the period July 1, 2017 – June 30, 2018.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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

G. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 1,485,059
Interest on total OPEB liability	866,074
Changes of assumptions	(681,776)
Benefits payments	<u>(1,135,477)</u>
Net change in total OPEB liability	533,880
Total OPEB liability - beginning	<u>21,461,879</u>
Total OPEB liability - ending	<u>\$ 21,995,759</u>
Covered payroll	\$ 61,698,000
District's total OPEB liability as a percentage of covered payroll	36%

The Alameda Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a “roll-back” technique has been used.

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Alameda Unified School District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87 percent) or one percentage point higher (4.87 percent) than the current discount rate:

	Valuation		
	1% Decrease	Discount Rate	1% Increase
	(2.87%)	(3.87%)	(4.87%)
Total OPEB liability	\$ 24,117,478	\$ 21,995,759	\$ 18,683,488

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Alameda Unified School District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current healthcare cost trend rate:

	Valuation Trend		
	1% Decrease	Rate	1% Increase
	(6.0%)	(7.0%)	(8.0%)
Total OPEB liability	\$ 18,544,385	\$ 21,995,759	\$ 24,117,478

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Alameda Unified School District recognized OPEB expense of \$3,587,109. At June 30, 2018, the Alameda Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB 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	\$ -	\$ 393,149
Changes in assumptions	5,686,520	603,411
	<u>\$ 5,686,520</u>	<u>\$ 996,560</u>

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/Inflows of Resources</u>
2019	\$ 711,690
2020	711,690
2021	711,690
2022	711,690
2023	711,690
2024	1,131,510
	<u>\$ 4,689,960</u>

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS

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

	<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	\$ 78,476,732	\$ 23,448,818	\$ 8,894,881	\$ 7,404,683
PERS Pension	36,895,743	12,343,885	434,402	5,909,046
Total	<u>\$ 115,372,475</u>	<u>\$ 35,792,703</u>	<u>\$ 9,329,283</u>	<u>\$ 13,313,729</u>

A. 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:

1. 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 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.
2. 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 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.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$6,641,030 for the year ended June 30, 2018.

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 \$3,307,098 to CalSTRS.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 78,476,732
State's proportionate share of the net pension liability associated with the District	46,426,550
Total	\$ 124,903,282

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District’s proportion was 0.085 percent, which was a decrease of 0.00449 percent from its proportion measured as of June 30, 2016.

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. 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, 2018, the District recognized pension expense of \$7,404,683. In addition, the District recognized pension expense and revenue of \$1,334,362 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,090,054
Differences between expected and actual experience	290,215	1,368,760
Changes in assumptions	14,538,731	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,978,842	5,436,067
District contributions subsequent to the measurement date	6,641,030	-
	<u>\$ 23,448,818</u>	<u>\$ 8,894,881</u>

The \$6,641,030 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 2,966,201	\$ 3,032,560
2020	2,966,201	(21,630)
2021	2,966,201	1,105,751
2022	2,966,203	3,153,482
2023	2,471,491	1,133,688
2024	2,471,491	491,030
	<u>\$ 16,807,788</u>	<u>\$ 8,894,881</u>

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. 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, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* 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 MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

*20-year geometric average

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 115,228,757	\$ 78,476,732	\$ 48,649,973

Pension Plan Fiduciary Net Position

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

NOTE 11 – PENSION PLANS (continued)

B. 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 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$3,085,590 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$36,895,743 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.155 percent, which was a decrease of 0.00147 percent from its proportion measured as of June 30, 2016.

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. 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, 2018, the District recognized pension expense of \$5,909,046. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,276,340	\$ -
Differences between expected and actual experience	1,321,822	-
Changes in assumptions	5,389,204	434,402
Changes in proportion and differences between District contributions and proportionate share of contributions	1,270,929	-
District contributions subsequent to the measurement date	3,085,590	-
	<u>\$ 12,343,885</u>	<u>\$ 434,402</u>

The \$3,085,590 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 3,151,373	\$ 434,402
2020	4,004,667	-
2021	2,801,179	-
2022	(698,924)	-
	<u>\$ 9,258,295</u>	<u>\$ 434,402</u>

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. 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, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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, 2016, 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 adjusted to account for assumed administrative expenses.

The table on the next page 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.

ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
 **An expected inflation of 3.00% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 54,285,461	\$ 36,895,743	\$ 22,469,515

Pension Plan Fiduciary Net Position

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

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 12 – PARCEL TAXES

In an election held March 11, 2011, the voters approved, by 68.01%, the Measure A parcel tax. The parcel tax replaces the two existing school parcel taxes (the previous Measure A and Measure H). Residential and commercial property owners will pay \$0.32 per square foot on buildings, with a maximum tax of \$7,999 per parcel. Properties with no buildings on them will pay \$299. Revenues raised by Measure A are authorized to be used only for those educational programs and activities set forth in the eleven specific categories set forth in the Measure A ballot language. Revenue of \$12,506,641 and expenditures of \$12,507,313 for the Measure A parcel tax for the year ended June 30, 2018 are included in these audited financial statements.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

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, 2018.

C. Construction Commitments

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

	Remaining Construction Commitment	Expected Date of Completion
Capital Projects		
HAHS	17,413,218	September 1, 2019
Edison	2,864,486	Summer 2018
Paden	2,039,654	Summer 2018
Ruby Bridges	421,507	Summer 2018
Edison Exterior Fencing (Safety & Security)	26,723	Summer 2018
Total	\$ 22,765,588	

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows 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, 2018, the deferred amount on refunding was \$57,237.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was \$35,792,703 and total deferred inflows related to pensions was \$9,329,283.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to other postemployment benefits was \$5,686,520 and total deferred inflows related to other postemployment benefits was \$996,560.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 16 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ (63,279,647)
Restatement	(16,586,356)
Net Position - Beginning, as Restated	<u>\$ (79,866,003)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**ALAMEDA UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual*</u> <u>(Budgetary Basis)</u>	<u>Variances -</u> <u>Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
LCFF sources	\$ 77,403,949	\$ 77,492,771	\$ 77,492,775	\$ 4
Federal sources	3,630,328	3,942,875	3,942,923	48
Other state sources	7,884,492	10,227,929	10,227,108	(821)
Other local sources	18,171,835	19,966,610	19,984,411	17,801
Total Revenues	107,090,604	111,630,185	111,647,217	17,032
EXPENDITURES				
Certificated salaries	51,103,108	50,390,610	50,114,370	276,240
Classified salaries	17,560,244	17,599,436	17,023,662	575,774
Employee benefits	21,750,209	20,568,334	20,287,667	280,667
Books and supplies	3,937,365	7,230,784	4,156,477	3,074,307
Services and other operating expenditures	15,370,690	18,824,264	17,778,512	1,045,752
Capital outlay	660,000	1,369,019	525,583	843,436
Other outgo				
Excluding transfers of indirect costs	568,854	361,211	577,281	(216,070)
Transfers of indirect costs	(259,460)	(245,904)	(228,478)	(17,426)
Total Expenditures	110,691,010	116,097,754	110,235,074	5,862,680
Excess (Deficiency) of Revenues Over Expenditures	(3,600,406)	(4,467,569)	1,412,143	5,879,712
Other Financing Sources (Uses)				
Transfers out	-	(307,950)	(307,950)	-
Net Financing Sources (Uses)	-	(307,950)	(307,950)	-
NET CHANGE IN FUND BALANCE	(3,600,406)	(4,775,519)	1,104,193	5,879,712
Fund Balance - Beginning	18,012,907	18,012,907	18,012,907	-
Fund Balance - Ending	\$ 14,412,501	\$ 13,237,388	\$ 19,117,100	\$ 5,879,712

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

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 1,485,059
Interest on total OPEB liability	866,074
Changes of assumptions	(681,776)
Benefits payments	<u>(1,135,477)</u>
Net change in total OPEB liability	533,880
Total OPEB liability - beginning	<u>21,461,879</u>
Total OPEB liability - ending	<u>\$ 21,995,759</u>
Covered payroll	\$ 61,698,000
District's total OPEB liability as a percentage of covered payroll	36%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.085%	0.089%	0.094%	0.093%
District's proportionate share of the net pension liability	\$ 78,476,732	\$ 72,263,400	\$ 63,430,668	\$ 54,194,713
State's proportionate share of the net pension liability associated with the District	46,426,550	41,144,321	33,547,741	32,968,406
Total	<u>\$ 124,903,282</u>	<u>\$ 113,407,721</u>	<u>\$ 96,978,409</u>	<u>\$ 87,163,119</u>
District's covered payroll	\$ 45,539,759	\$ 45,142,412	\$ 43,121,140	\$ 41,306,836
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.3%	160.1%	147.1%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALPERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.155%	0.156%	0.156%	0.152%
District's proportionate share of the net pension liability	\$ 36,895,743	\$ 30,813,595	\$ 22,928,188	\$ 17,200,972
District's covered payroll	\$ 19,856,336	\$ 18,949,502	\$ 17,735,189	\$ 15,905,602
District's proportionate share of the net pension liability as a percentage of its covered payroll	185.8%	162.6%	129.3%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,641,030	\$ 5,636,468	\$ 4,879,157	\$ 3,829,293
Contributions in relation to the contractually required contribution*	(6,641,030)	(5,636,468)	(4,879,157)	(3,829,293)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,992,753	\$ 45,539,759	\$ 45,142,412	\$ 43,121,140
Contributions as a percentage of covered payroll	14.44%	12.38%	10.81%	8.88%

*Amounts do not include on-behalf contributions

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,085,590	\$ 2,696,864	\$ 2,292,259	\$ 2,057,335
Contributions in relation to the contractually required contribution	(3,085,590)	(2,696,864)	(2,292,259)	(2,057,335)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 20,007,554	\$ 18,949,502	\$ 17,735,189	\$ 15,905,602
Contributions as a percentage of covered payroll	15.42%	14.23%	12.92%	12.93%

See accompanying note to required supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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 Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee 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.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

**ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District did not incur an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

**SUPPLEMENTARY
INFORMATION**

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education	84.010	14329	\$ 1,027,500
Adult Education: Adult Basic Education & ESL	84.002A	14508	159,053
Adult Education: Adult Secondary Education	84.002	13978	23,418
Adult Education: English Literacy and Civics Education	84.002A	14109	93,618
Subtotal Adult Education			<u>276,089</u>
Title II, Part A, Teacher Quality	84.367	14341	323,237
Title III			
Title III, English Learner Student Program	84.365	14346	271,044
Title III, Immigrant Education Program	84.365	15146	31,116
Subtotal Title III			<u>302,160</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,557,243
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	107,031
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	53,612
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	151,322
Subtotal Special Education Cluster			<u>1,869,208</u>
IDEA Early Intervention Grants, Part C	84.181	23761	106,610
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	48,944
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	20,223
Advanced Placement and International Baccalaureate Test Fee Reimbursements	84.330B	14831	3,417
State Vocational Rehabilitation Services Program - We Can Work	84.126A	*	52,783
Total U. S. Department of Education			<u>4,030,171</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	11,139
School Breakfast Program - Needy	10.553	13526	165,482
National School Lunch Program	10.555	13391	1,027,386
USDA Commodities	10.555	*	150,763
Subtotal Child Nutrition Cluster			<u>1,354,770</u>
Child Care Food Program - Family Day Care Sponsor Admin	10.558	13665	578,989
Total U. S. Department of Agriculture			<u>1,933,759</u>
U. S. DEPARTMENT OF DEFENSE:			
<i>Passed through California Department of Education:</i>			
Flood Control Projects	12.106	*	1,297
Total U. S. Department of Defense			<u>1,297</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Federal General Child Care & Development (CCTR) & CA State Preschool Program (CSPP)	93.596	12609	264,045
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	90,881
Total U. S. Department of Health & Human Services			<u>354,926</u>
Total Federal Expenditures			<u>\$ 6,320,153</u>

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

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018**

	Second Period Report	Annual Report
	75E4A7ED	952458C5
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	2,883.01	2,884.45
Extended Year Special Education	5.22	5.22
Special Education - Nonpublic Schools	2.98	2.83
Extended Year Special Education - Nonpublic Schools	0.29	0.29
Total TK/K through Third	2,891.50	2,892.79
Fourth through Sixth		
Regular ADA	2,035.89	2,038.42
Extended Year Special Education	3.37	3.37
Special Education - Nonpublic Schools	4.07	4.30
Extended Year Special Education - Nonpublic Schools	0.67	0.67
Total Fourth through Sixth	2,044.00	2,046.76
Seventh through Eighth		
Regular ADA	1,191.55	1,193.18
Extended Year Special Education	1.09	1.09
Special Education - Nonpublic Schools	2.79	2.73
Extended Year Special Education - Nonpublic Schools	0.59	0.59
Total Seventh through Eighth	1,196.02	1,197.59
Ninth through Twelfth		
Regular ADA	2,919.71	2,905.60
Extended Year Special Education	2.16	2.16
Special Education - Nonpublic Schools	18.91	19.22
Extended Year Special Education - Nonpublic Schools	2.29	2.29
Total Ninth through Twelfth	2,943.07	2,929.27
TOTAL SCHOOL DISTRICT	9,074.59	9,066.41

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	Minutes Requirement	2017-18		Status
		Actual Minutes	Number of Days	
Kindergarten	36,000	51,020	180	Complied
Grade 1	50,400	51,385	180	Complied
Grade 2	50,400	51,385	180	Complied
Grade 3	50,400	51,385	180	Complied
Grade 4	54,000	54,250	180	Complied
Grade 5	54,000	54,250	180	Complied
Grade 6	54,000	55,155	180	Complied
Grade 7	54,000	55,155	180	Complied
Grade 8	54,000	55,155	180	Complied
Grade 9	64,800	65,278	180	Complied
Grade 10	64,800	65,278	180	Complied
Grade 11	64,800	65,278	180	Complied
Grade 12	64,800	65,278	180	Complied

**ALAMEDA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 114,587,230	\$ 111,647,217	\$ 108,006,470	\$ 110,889,384
Expenditures And Other Financing Uses	109,641,304	110,543,024	107,894,970	106,833,846
Net change in Fund Balance	\$ 4,945,926	\$ 1,104,193	\$ 111,500	\$ 4,055,538
Ending Fund Balance	\$ 24,063,026	\$ 19,117,100	\$ 18,012,907	\$ 17,901,407
Available Reserves*	\$ 10,878,425	\$ 12,885,145	\$ 10,656,268	\$ 9,560,125
Available Reserves As A Percentage Of Outgo	9.92%	11.66%	9.88%	8.95%
Long-term Debt	\$ 351,734,234	\$ 355,769,395	\$ 295,408,517	\$ 285,536,093
Average Daily Attendance At P-2	9,072	9,075	9,082	9,078

The General Fund balance has increased by \$1,215,693 over the past two years. The fiscal year 2018-19 budget projects an increase of \$4,945,926. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by \$70,233,302 over the past two years.

Average daily attendance has decreased by 3 ADA over the past two years. A decrease of 3 ADA is anticipated during the 2018-19 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 Deferred Maintenance Fund, and the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**ALAMEDA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2018, annual financial and budget report fund balance	\$ 19,117,100	\$ 1,683,882	\$ 8,202,703
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	9,886,585	(1,683,882)	(8,202,703)
Net adjustments and reclassifications	9,886,585	(1,683,882)	(8,202,703)
June 30, 2018, audited financial statement fund balance	\$ 29,003,685	\$ -	\$ -

**ALAMEDA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHARTER SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2018**

Charter #	Charter School	Status	Included in Audit Report
1181	Academy of Alameda-Middle School	Active	No
1718	Academy of Alameda-Elementary School	Active	No
1066	Community Learning Center Inc., (NEA)	Active	No
0352	Alameda Community Learning Center (ACLIC)	Active	No
0398	Alternatives in Action (BASE)	Active	No

**ALAMEDA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	\$ 329,139	\$ 293,568	\$ 453,705	\$ 6,799,561	\$ 2,391,046	\$ 11,505,732	\$ 21,772,751
Accounts receivable	90,897	60,275	444,325	21,331	31,027	29,126	676,981
Stores inventory	-	-	55,160	-	-	-	55,160
Total Assets	\$ 420,036	\$ 353,843	\$ 953,190	\$ 6,820,892	\$ 2,422,073	\$ 11,534,858	\$ 22,504,892
LIABILITIES							
Accrued liabilities	\$ 13,692	\$ 14,729	\$ 28,473	\$ 6,046	\$ 230,297	\$ -	\$ 293,237
Unearned revenue	-	34,937	-	-	-	-	34,937
Total Liabilities	13,692	49,666	28,473	6,046	230,297	-	328,174
FUND BALANCES							
Non-spendable	-	-	56,168	-	-	-	56,168
Restricted	362,119	304,118	868,549	6,814,846	2,191,776	11,534,858	22,076,266
Assigned	44,225	59	-	-	-	-	44,284
Total Fund Balances	406,344	304,177	924,717	6,814,846	2,191,776	11,534,858	22,176,718
Total Liabilities and Fund Balance	\$ 420,036	\$ 353,843	\$ 953,190	\$ 6,820,892	\$ 2,422,073	\$ 11,534,858	\$ 22,504,892

See accompanying note to supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES							
Federal sources	275,908	264,045	1,933,759	\$ -	\$ -	\$ -	2,473,712
Other state sources	789,817	1,271,400	92,481	-	-	60,898	2,214,596
Other local sources	70,141	325,418	1,086,620	1,172,490	1,701,499	8,995,606	13,351,774
Total Revenues	1,135,866	1,860,863	3,112,860	1,172,490	1,701,499	9,056,504	18,040,082
EXPENDITURES							
Current							
Instruction	655,860	1,321,941	-	-	-	-	1,977,801
Instruction-related services							
Instructional supervision and administration	1,221	163,918	-	-	-	-	165,139
School site administration	367,103	91,250	-	-	-	-	458,353
Pupil services							
Food services	-	-	2,839,641	-	-	-	2,839,641
All other pupil services	71,995	16,688	-	-	-	-	88,683
General administration							
All other general administration	-	87,694	140,784	10,072	-	-	238,550
Plant services	25,488	84,172	5,584	50,215	279,713	-	445,172
Facilities acquisition and maintenance	-	30,681	-	51,430	367,619	-	449,730
Debt service							
Principal	-	-	-	-	-	9,368,833	9,368,833
Interest and other	-	-	-	-	87,889	6,567,205	6,655,094
Total Expenditures	1,121,667	1,796,344	2,986,009	111,717	735,221	15,936,038	22,686,996
Excess (Deficiency) of Revenues Over Expenditures	14,199	64,519	126,851	1,060,773	966,278	(6,879,534)	(4,646,914)
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	307,950	-	307,950
Other sources	-	-	-	-	-	3,030,948	3,030,948
Net Financing Sources (Uses)	-	-	-	-	307,950	3,030,948	3,338,898
NET CHANGE IN FUND BALANCE	14,199	64,519	126,851	1,060,773	1,274,228	(3,848,586)	(1,308,016)
Fund Balance - Beginning	392,145	239,658	797,866	5,754,073	917,548	15,383,444	23,484,734
Fund Balance - Ending	\$ 406,344	\$ 304,177	\$ 924,717	\$ 6,814,846	\$ 2,191,776	\$ 11,534,858	\$ 22,176,718

See accompanying note to supplementary information.

**ALAMEDA UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2018**

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

GOVERNING BOARD

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

DISTRICT ADMINISTRATORS

Sean McPhetridge, Ed.D.
Superintendent

Shariq Khan
Chief Business Officer

**ALAMEDA UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2018**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA	
	Number	Amount
	<hr/>	<hr/>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 6,416,635
Medi-Cal Billing Option	93.778	(101,697)
Adult Education: English Literacy and Civics Education	84.002A	501
State Vocational Rehabilitation Services Program - We Can Work	84.126A	<u>4,714</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 6,320,153</u>

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

ALAMEDA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

**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**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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State Board of Accountancy

Independent Auditors' Report

Governing Board
Alameda Unified School District
Alameda, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alameda Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Alameda Unified School District's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2018-001).

Compliance and Other Matters

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

Alameda Unified School District's Response to Findings

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

Purpose of this Report

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



San Diego, California
December 13, 2018

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

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board
Alameda Unified School District
Alameda, California

Report on Compliance for Each Major Federal Program

We have audited Alameda Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alameda Unified School District's major federal programs for the year ended June 30, 2018. Alameda Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Alameda Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Christy White Associates

San Diego, California
December 13, 2018

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Alameda Unified School District
Alameda, California

Report on State Compliance

We have audited Alameda Unified School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Alameda Unified School District's state programs for the fiscal year ended June 30, 2018, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alameda Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Alameda Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Christy White, CPA

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Opinion on State Compliance

In our opinion, Alameda Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018

Procedures Performed

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

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Christy White Associates

San Diego, California
December 13, 2018

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**ALAMEDA UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.027, 84.027A, 84.173	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>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

*The significant deficiency identified in regard to the Financial Statements is related to facilities use internal controls, which is described in the accompanying schedule of findings and questioned costs as item #2018-001.

**ALAMEDA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2018-001: FACILITIES USE INTERNAL CONTROLS (30000)

Criteria: Maintaining sound internal control procedures and ensuring proper segregation of duties over facilities use and cash collections reduces the opportunity for irregularities and fraud to go undetected.

Condition: Through our testing of cash receipts we found that deposits are not made timely and proper segregation of duties are not in place for the collection of facilities use fees.

Cause: All the functions related to facilities use which included the approval of requests, calculation of facilities use fee, gather insurance documents, billing and collection and deposit are performed by the same person without proper review.

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

Perspective: Testing was performed over collections from all school sites.

Recommendation: Improve internal controls in the Maintenance Operations and Facilities Department to ensure proper segregation of duties. Once a request to reserve facilities is made and the proof of non-profit status and insurance are collected by the Staff Secretary for the Maintenance and Operations Department, a supervisor or manager should be reviewing documents and issuing the approval. Fees being calculated and collected by one employee should be deposited by a second employee in Maintenance Operations and Facilities, or possibly the Accounting Department. The monthly aging report from the facilities use tracking system should be reviewed periodically by a manager.

District Response: The District has implemented the following procedures: Requests to reserve facilities are prepared by the Staff Secretary and forwarded to the Director of Maintenance and Operations or CBO for approval. Fees are collected by the Staff Secretary and verified and deposited by the Budget Analyst. The fiscal office reviews the monthly aging report periodically.

ALAMEDA UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

No federal awards findings were noted for fiscal year 2017-18.

**ALAMEDA UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

FIVE DIGIT CODE

10000
40000
41000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

No state awards findings were noted for fiscal year 2017-18.

**ALAMEDA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

Lincoln Middle School

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

Alameda High School

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

Alameda Science and Technology Institute

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

Cause: Insufficient controls over student body activities.

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

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

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

ALAMEDA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2018

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

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

Current Status: Implemented.