

# ALBANY UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2015

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A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**ALBANY UNIFIED SCHOOL DISTRICT  
OF ALAMEDA COUNTY**

**ALBANY, CALIFORNIA**

**JUNE 30, 2015**

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

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Ronald Rosenbaum	President	November 2016
Paul Black	Vice President	November 2018
Dr. Patricia Low	Member	November 2016
Charles Blanchard	Member	November 2018
Ross Stapleton-Gray	Member	November 2018

**DISTRICT ADMINISTRATORS**

Val Williams  
*Superintendent*

Allan Garde  
*Chief Business Official*

Cynthia Attiyeh  
*Director III, Human Resources*

Peter Parenti  
*Director III, Curriculum, Instruction & Assessment*

Marsha Brown  
*Director III, Educational & Student Services*

Diane Marie  
*Director of Special Education*

Jackie Manibusan  
*Communications Manager*

**ALBANY UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL SECTION**

Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	12
Statement of Activities .....	13
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	15
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	17
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 .....	55
Special Education Pass-Through Fund – Budgetary Comparison Schedule.....	56
Deferred Maintenance Fund – Budgetary Comparison Schedule .....	57
Schedule of Funding Progress .....	58
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS .....	59
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	60
Schedule of District Contributions - CalSTRS .....	61
Schedule of District Contributions - CalPERS.....	62
Notes to Required Supplementary Information.....	63

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards .....	65
Schedule of Average Daily Attendance (ADA).....	66
Schedule of Instructional Time.....	67
Schedule of Financial Trends and Analysis.....	68
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	69
Schedule of Charter Schools .....	70
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	72
Notes to Supplementary Information.....	73

**ALBANY UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

---

**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* ..... 75  
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133 ..... 77  
Report on State Compliance..... 79

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results ..... 82  
Financial Statement Findings..... 83  
Federal Award Findings and Questioned Costs ..... 84  
State Award Findings and Questioned Costs..... 85  
Summary Schedule of Prior Audit Findings ..... 89

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Albany Unified School District  
Albany, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Albany Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Albany Unified School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Albany Unified School District, as of June 30, 2015, 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 a Matter*

As described in Note 1 to the financial statements, in 2015 Albany Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for 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 funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Albany Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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 8, 2015 on our consideration of Albany Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Albany Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 8, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

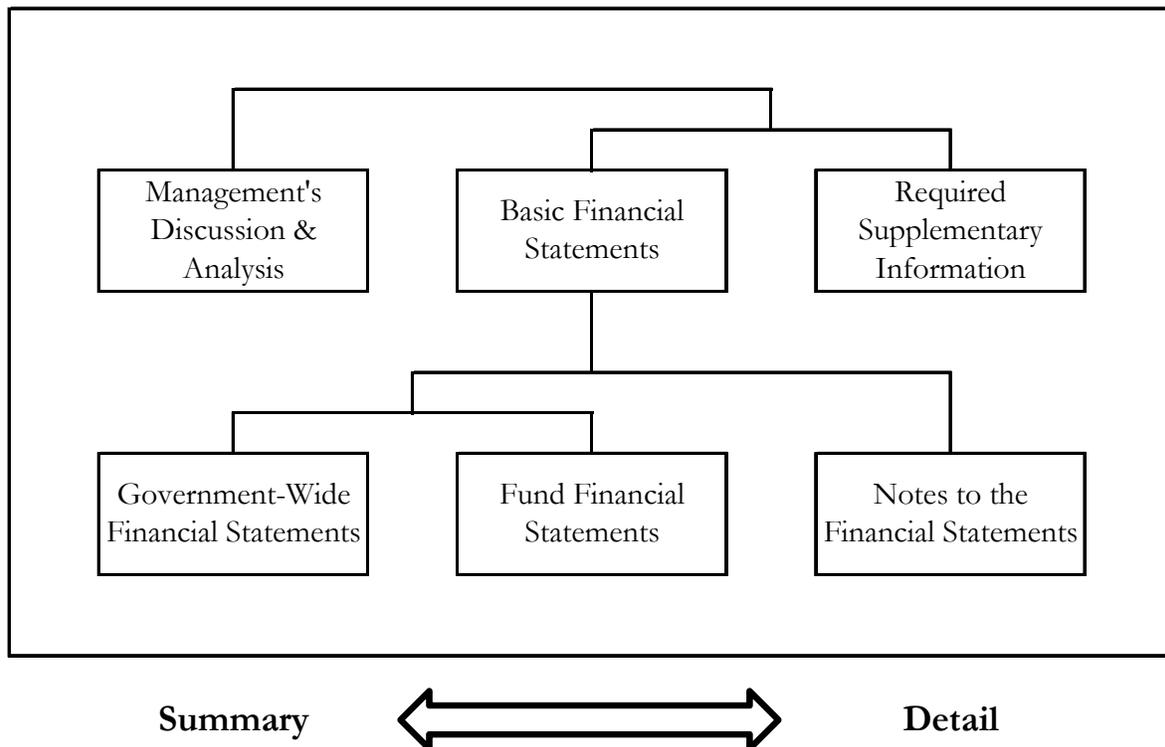
Our discussion and analysis of Albany Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- ▶ The District's net position was \$(5,044,229) at June 30, 2015. This was a decrease of \$1,956,013 from the prior year's restated net position.
- ▶ Overall revenues were \$65,121,924 which were exceeded by expenses of \$67,077,937.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section



**ALBANY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

### **Government-Wide Statements**

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. 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. LCFF funding and federal and state grants finance most of these activities.

**ALBANY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**Net Position**

The District's net position was \$(5,044,229) at June 30, 2015, as reflected in table below. Of this amount, \$(29,998,243) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 20,309,893	\$ 24,483,627	\$ (4,173,734)
Capital assets	56,063,042	54,919,321	1,143,721
<b>Total Assets</b>	<b>76,372,935</b>	<b>79,402,948</b>	<b>(3,030,013)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,439,050</b>	<b>-</b>	<b>2,439,050</b>
<b>LIABILITIES</b>			
Current liabilities	9,467,078	9,319,314	147,764
Long-term liabilities	66,467,090	38,307,897	28,159,193
<b>Total Liabilities</b>	<b>75,934,168</b>	<b>47,627,211</b>	<b>28,306,957</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>7,922,046</b>	<b>-</b>	<b>7,922,046</b>
<b>NET POSITION</b>			
Net investment in capital assets	20,003,485	16,490,770	3,512,715
Restricted	4,950,529	15,284,967	(10,334,438)
Unrestricted	(29,998,243)	-	(29,998,243)
<b>Total Net Position</b>	<b>\$ (5,044,229)</b>	<b>\$ 31,775,737</b>	<b>\$ (36,819,966)</b>

**ALBANY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

**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, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 860,363	\$ 1,002,859	\$ (142,496)
Operating grants and contributions	23,122,041	22,797,486	324,555
Capital grants and contributions	5,369	760	4,609
General revenues			
Property taxes	16,680,844	16,034,820	646,024
Unrestricted federal and state aid	22,065,786	18,151,735	3,914,051
Other	2,387,521	2,362,022	25,499
<b>Total Revenues</b>	<b>65,121,924</b>	<b>60,349,682</b>	<b>4,772,242</b>
<b>EXPENSES</b>			
Instruction	29,555,233	25,934,867	3,620,366
Instruction-related services	5,135,802	4,310,527	825,275
Pupil services	2,558,283	2,250,636	307,647
General administration	3,475,756	3,566,869	(91,113)
Plant services	3,638,638	3,496,043	142,595
Ancillary and community services	1,256,833	1,304,457	(47,624)
Debt service	1,474,130	1,549,718	(75,588)
Other Outgo	17,558,111	16,531,313	1,026,798
Depreciation	2,425,151	2,767,222	(342,071)
<b>Total Expenses</b>	<b>67,077,937</b>	<b>61,711,652</b>	<b>5,366,285</b>
<b>Change in net position</b>	<b>(1,956,013)</b>	<b>(1,361,970)</b>	<b>(594,043)</b>
<b>Net Position - Beginning, as Restated*</b>	<b>(3,088,216)</b>	<b>33,137,707</b>	<b>(36,225,923)</b>
<b>Net Position - Ending</b>	<b>\$ (5,044,229)</b>	<b>\$ 31,775,737</b>	<b>\$ (36,819,966)</b>

\* Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year

The cost of all our governmental activities this year was \$67,077,937 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$16,680,844 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**ALBANY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**Changes in Net Position (continued)**

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

	<b>Net Cost of Services</b>	
	<b>2015</b>	<b>2014</b>
Instruction	\$ 23,577,333	\$ 20,070,694
Instruction-related services	4,266,602	2,755,828
Pupil services	1,306,506	1,126,302
General administration	3,164,664	3,270,238
Plant services	3,632,937	3,489,041
Ancillary and community services	1,094,649	1,129,086
Debt service	1,474,130	1,549,718
Transfers to other agencies	2,148,192	1,782,508
Depreciation	2,425,151	2,767,222
<b>Total Expenses</b>	<b>\$ 43,090,164</b>	<b>\$ 37,940,637</b>

**ALBANY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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 \$13,809,738, which is less than last year's ending fund balance of \$18,088,790. The District's General Fund had \$1,074,078 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Special Education Pass-Through Fund had no change in fund balance for the year ended June 30, 2015. The District's Deferred Maintenance Fund had \$1,054,588 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Bond Interest and Redemption Fund had \$249,911 more in operating revenues than expenditures for the year ended June 30, 2015.

**CURRENT YEAR BUDGET 2014-15**

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2014-15 the District had invested \$56,063,042 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 4,394,935	\$ 4,394,935	\$ -
Construction in progress	3,066,009	-	3,066,009
Land improvements	20,090,403	19,840,079	250,324
Buildings & improvements	53,326,225	53,073,686	252,539
Furniture & equipment	6,176,431	6,320,259	(143,828)
Accumulated depreciation	(30,990,961)	(28,709,638)	(2,281,323)
<b>Total Capital Assets</b>	<b>\$ 56,063,042</b>	<b>\$ 54,919,321</b>	<b>\$ 1,143,721</b>

**ALBANY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end, the District had \$66,467,090 in long-term debt, an increase of 74% from last year's balance due primarily to GASB Statement 68 requiring the District to record net pension liability – as shown in table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 36,315,124	\$ 38,428,551	\$ (2,113,427)
Net OPEB obligation	2,961,694	1,992,776	968,918
Net pension liability	29,498,699	-	29,498,699
Less: current portion of long-term debt	(2,308,427)	(2,113,430)	(194,997)
<b>Total Long-term Liabilities</b>	<b>\$ 66,467,090</b>	<b>\$ 38,307,897</b>	<b>\$ 28,159,193</b>

**ALBANY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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 2013-14 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Allan Garde, Chief Business Official at Albany Unified School District, 1051 Monroe Street, Albany, California, 94706.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 14,710,619
Accounts receivable	5,564,980
Inventory	4,757
Prepaid expenses	29,537
Capital assets, not depreciated	7,460,944
Capital assets, net of accumulated depreciation	48,602,098
<b>Total Assets</b>	<b>76,372,935</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	2,439,050
<b>Total Deferred Outflows of Resources</b>	<b>2,439,050</b>
<b>LIABILITIES</b>	
Accrued liabilities	6,692,260
Unearned revenue	466,391
Long-term liabilities, current portion	2,308,427
Long-term liabilities, non-current portion	66,467,090
<b>Total Liabilities</b>	<b>75,934,168</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	7,922,046
<b>Total Deferred Inflows of Resources</b>	<b>7,922,046</b>
<b>NET POSITION</b>	
Net investment in capital assets	20,003,485
Restricted:	
Capital projects	1,752,620
Debt service	2,495,455
Educational programs	517,610
All others	184,844
Unrestricted	(29,998,243)
<b>Total Net Position</b>	<b>\$ (5,044,229)</b>

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 29,555,233	\$ 228,079	\$ 5,744,452	\$ 5,369	\$ (23,577,333)
Instruction-related services					
Instructional supervision and administration	2,070,177	-	831,355	-	(1,238,822)
Instructional library, media, and technology	626,924	-	32,585	-	(594,339)
School site administration	2,438,701	-	5,260	-	(2,433,441)
Pupil services					
Home-to-school transportation	159,880	-	8,828	-	(151,052)
Food services	991,564	582,721	354,917	-	(53,926)
All other pupil services	1,406,839	-	305,311	-	(1,101,528)
General administration					
Centralized data processing	969,239	-	-	-	(969,239)
All other general administration	2,506,517	49,563	261,529	-	(2,195,425)
Plant services	3,638,638	-	5,701	-	(3,632,937)
Ancillary services	477,981	-	79,170	-	(398,811)
Community services	778,852	-	83,014	-	(695,838)
Interest on long-term debt	1,474,130	-	-	-	(1,474,130)
Other Outgo	17,558,111	-	15,409,919	-	(2,148,192)
Depreciation (unallocated)	2,425,151	-	-	-	(2,425,151)
<b>Total Governmental Activities</b>	<b>\$ 67,077,937</b>	<b>\$ 860,363</b>	<b>\$ 23,122,041</b>	<b>\$ 5,369</b>	<b>(43,090,164)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					6,981,499
Property taxes, levied for debt service					3,861,367
Property taxes, levied for other specific purposes					5,837,978
Federal and state aid not restricted for specific purposes					22,065,786
Interest and investment earnings					41,512
Interagency revenues					230,971
Miscellaneous					2,115,038
<b>Subtotal, General Revenue</b>					<b>41,134,151</b>
<b>CHANGE IN NET POSITION</b>					<b>(1,956,013)</b>
<b>Net Position - Beginning, as Restated</b>					<b>(3,088,216)</b>
<b>Net Position - Ending</b>					<b>\$ (5,044,229)</b>

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

**ALBANY UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	General Fund	Special Education Pass-Through Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,633,916	\$ 27	\$ 919,067	\$ 3,153,451	\$ 3,004,158	\$ 14,710,619
Accounts receivable	1,702,025	3,685,195	300	500	176,960	5,564,980
Due from other funds	1,272,985	-	1,274,407	-	23,405	2,570,797
Stores inventory	-	-	-	-	4,757	4,757
Prepaid expenditures	29,537	-	-	-	-	29,537
<b>Total Assets</b>	<b>\$ 10,638,463</b>	<b>\$ 3,685,222</b>	<b>\$ 2,193,774</b>	<b>\$ 3,153,951</b>	<b>\$ 3,209,280</b>	<b>\$ 22,880,690</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 1,380,409	\$ 3,685,221	\$ 201,632	\$ -	\$ 766,502	\$ 6,033,764
Due to other funds	1,274,407	-	1,295,723	-	667	2,570,797
Unearned revenue	466,391	-	-	-	-	466,391
<b>Total Liabilities</b>	<b>3,121,207</b>	<b>3,685,221</b>	<b>1,497,355</b>	<b>-</b>	<b>767,169</b>	<b>9,070,952</b>
<b>FUND BALANCES</b>						
Nonspendable	54,537	-	-	-	4,757	59,294
Restricted	517,609	1	-	3,153,951	2,193,031	5,864,592
Committed	-	-	696,419	-	-	696,419
Assigned	488,072	-	-	-	244,323	732,395
Unassigned	6,457,038	-	-	-	-	6,457,038
<b>Total Fund Balances</b>	<b>7,517,256</b>	<b>1</b>	<b>696,419</b>	<b>3,153,951</b>	<b>2,442,111</b>	<b>13,809,738</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,638,463</b>	<b>\$ 3,685,222</b>	<b>\$ 2,193,774</b>	<b>\$ 3,153,951</b>	<b>\$ 3,209,280</b>	<b>\$ 22,880,690</b>

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET POSITION**  
**JUNE 30, 2015**

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**Total Fund Balance - Governmental Funds** \$ 13,809,738

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	\$ 87,054,003	
Accumulated depreciation	(30,990,961)	56,063,042

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:

(658,496)

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	\$ 36,315,124	
Net OPEB obligation	2,961,694	
Net pension liability	29,498,699	(68,775,517)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 2,439,050	
Deferred inflows of resources related to pensions	(7,922,046)	(5,482,996)

**Total Net Position - Governmental Activities** \$ (5,044,229)

**ALBANY UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Education Pass-Through Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 26,490,409	\$ -	\$ 150,000	\$ -	\$ -	\$ 26,640,409
Federal sources	1,096,511	4,474,785	-	-	741,559	6,312,855
Other state sources	4,428,050	13,206,753	-	36,782	615,842	18,287,427
Other local sources	7,706,818	-	65,023	3,829,810	2,038,256	13,639,907
<b>Total Revenues</b>	<b>39,721,788</b>	<b>17,681,538</b>	<b>215,023</b>	<b>3,866,592</b>	<b>3,395,657</b>	<b>64,880,598</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
Instruction	26,618,628	-	-	-	1,619,940	28,238,568
Instruction-related services						
Instructional supervision and administration	2,035,933	-	-	-	-	2,035,933
Instructional library, media, and technology	616,774	-	-	-	-	616,774
School site administration	2,417,147	-	-	-	-	2,417,147
Pupil services						
Home-to-school transportation	161,663	-	-	-	-	161,663
Food services	4	-	-	-	1,003,334	1,003,338
All other pupil services	1,392,612	-	-	-	-	1,392,612
General administration						
Centralized data processing	979,754	-	-	-	-	979,754
All other general administration	2,318,148	-	-	-	196,275	2,514,423
Plant services	3,427,779	-	280,341	-	105,574	3,813,694
Facilities acquisition and maintenance	-	-	989,270	-	2,436,301	3,425,571
Ancillary services	476,475	-	-	-	-	476,475
Community services	350,949	-	-	-	434,530	785,479
Transfers to other agencies	-	17,681,538	-	-	-	17,681,538
Debt service						
Principal	-	-	-	1,990,000	-	1,990,000
Interest and other	-	-	-	1,626,681	-	1,626,681
<b>Total Expenditures</b>	<b>40,795,866</b>	<b>17,681,538</b>	<b>1,269,611</b>	<b>3,616,681</b>	<b>5,795,954</b>	<b>69,159,650</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>(1,074,078)</b>	<b>-</b>	<b>(1,054,588)</b>	<b>249,911</b>	<b>(2,400,297)</b>	<b>(4,279,052)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	1,274,407	-	2,319	1,276,726
Transfers out	(1,276,726)	-	-	-	-	(1,276,726)
<b>Net Financing Sources (Uses)</b>	<b>(1,276,726)</b>	<b>-</b>	<b>1,274,407</b>	<b>-</b>	<b>2,319</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,350,804)</b>	<b>-</b>	<b>219,819</b>	<b>249,911</b>	<b>(2,397,978)</b>	<b>(4,279,052)</b>
<b>Fund Balance - Beginning</b>	<b>9,868,060</b>	<b>1</b>	<b>476,600</b>	<b>2,904,040</b>	<b>4,840,089</b>	<b>18,088,790</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,517,256</b>	<b>\$ 1</b>	<b>\$ 696,419</b>	<b>\$ 3,153,951</b>	<b>\$ 2,442,111</b>	<b>\$ 13,809,738</b>

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

**ALBANY UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Net Change in Fund Balances - Governmental Funds** \$ (4,279,052)

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:	\$ 3,568,872	
Depreciation expense:	<u>(2,425,151)</u>	1,143,721

Debt service:

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

1,990,000

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:

152,551

Postemployment benefits other than pensions (OPEB):

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

(968,918)

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:

(117,742)

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:

123,427

**Change in Net Position of Governmental Activities** \$ (1,956,013)

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

ALBANY UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

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	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
	<u>Terry Corpus Memorial Scholarship Fund</u>	<u>Student Body Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 473	\$ 113,255
<b>Total Assets</b>	<u>473</u>	<u>\$ 113,255</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 113,255
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 113,255</u>
<b>NET POSITION</b>		
Restricted	<u>473</u>	
<b>Total Net Position</b>	<u>\$ 473</u>	

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

ALBANY UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

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	<u>Private-Purpose Trust Fund</u>
	<u>Terry Corpus Memorial Scholarship Fund</u>
<b>ADDITIONS</b>	
Donations	\$ 500
<b>Total Additions</b>	<u>500</u>
 <b>DEDUCTIONS</b>	
Scholarship awards	<u>580</u>
<b>Total Deductions</b>	<u>580</u>
 <b>CHANGE IN NET POSITION</b>	(80)
<b>Net Position - Beginning</b>	553
<b>Net Position - Ending</b>	<u>\$ 473</u>

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

ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

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

C. Basis of Presentation

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

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

ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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

C. Basis of Presentation (*continued*)

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

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

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

Major Governmental Funds

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

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

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

**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.

ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

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

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

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

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

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

**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*).

**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*).

ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

**Capital Project Funds** (*continued*)

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

Fiduciary Funds

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

**Private-Purpose Trust Fund:** This fund is 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.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Governmental Funds**

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

**Revenues – Exchange and Non-Exchange Transactions**

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

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

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

**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.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Expenses/Expenditures**

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

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

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

**Investments**

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

**Inventories**

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Capital Assets**

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

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

**Interfund Balances**

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

**Compensated Absences**

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

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**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)**

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

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

**Deferred Outflows/Deferred Inflows of Resources**

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

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

**Pensions**

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

**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.

ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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

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

**Fund Balance** (*continued*)

*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.

*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.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

**F. Interfund Activity**

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

**G. Estimates**

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

**H. Budgetary Data**

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

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

**I. Property Tax**

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

ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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

J. New Accounting Pronouncements

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash in county	\$ 14,682,119	\$ -
Cash on hand and in banks	3,500	113,728
Cash in revolving fund	25,000	-
<b>Total cash and cash equivalents</b>	<b>\$ 14,710,619</b>	<b>\$ 113,728</b>

**B. Policies and Practices**

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

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Alameda County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

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

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$14,704,261 and an amortized book value of \$14,682,119. The average weighted maturity for this pool is 466 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2015, the pooled investments in the County Treasury were not rated.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Special Education Pass-Through Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government						
Categorical aid	\$ 534,938	\$ 2,989,149	\$ -	\$ -	\$ 97,603	\$ 3,621,690
State Government						
Apportionment	254,494	-	-	-	-	254,494
Categorical aid	201,460	696,046	-	-	15,231	912,737
Lottery	317,972	-	-	-	-	317,972
Local Government						
Other local sources	393,161	-	300	500	64,126	458,087
<b>Total</b>	<b>\$ 1,702,025</b>	<b>\$ 3,685,195</b>	<b>\$ 300</b>	<b>\$ 500</b>	<b>\$ 176,960</b>	<b>\$ 5,564,980</b>

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2015</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,394,935	\$ -	\$ -	\$ 4,394,935
Construction in progress	-	3,066,009	-	3,066,009
Total Capital Assets not Being Depreciated	4,394,935	3,066,009	-	7,460,944
Capital assets being depreciated				
Land improvements	19,840,079	250,324	-	20,090,403
Buildings & improvements	53,073,686	252,539	-	53,326,225
Furniture & equipment	6,320,259	-	143,828	6,176,431
Total Capital Assets Being Depreciated	79,234,024	502,863	143,828	79,593,059
Less Accumulated Depreciation				
Land improvements	3,782,012	634,784	-	4,416,796
Buildings & improvements	20,379,125	1,391,327	-	21,770,452
Furniture & equipment	4,548,501	399,040	143,828	4,803,713
Total Accumulated Depreciation	28,709,638	2,425,151	143,828	30,990,961
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 54,919,321</b>	<b>\$ 1,143,721</b>	<b>\$ -</b>	<b>\$ 56,063,042</b>

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2015 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ -	\$ 1,274,407	\$ -	\$ 1,274,407
Deferred Maintenance Fund	1,272,318	-	23,405	1,295,723
Non-Major Governmental Funds	667	-	-	667
<b>Total Due From Other Funds</b>	<b>\$ 1,272,985</b>	<b>\$ 1,274,407</b>	<b>\$ 23,405</b>	<b>\$ 2,570,797</b>

Due from Deferred Maintenance Fund to General Fund to close out post-employment benefits.	\$	1,272,318
Due from Deferred Maintenance Fund to Building Fund to balance the building fund.		23,405
Due from Adult Education Fund to General Fund to close out the fund.		667
Due from General Fund to Deferred Maintenance Fund for future capital outlay projects.		1,274,407
<b>Total</b>	<b>\$</b>	<b>2,570,797</b>

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>		
	<u>Deferred Maintenance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ 1,274,407	\$ 2,319	\$ 1,276,726
<b>Total Interfund Transfers</b>	<b>\$ 1,274,407</b>	<b>\$ 2,319</b>	<b>\$ 1,276,726</b>

Transfer from the General Fund to the Deferred Maintenance Fund for future capital projects.	\$	1,274,407
Transfer from the General Fund to the Cafeteria Fund for payment of negative student balances.		2,319
<b>Total</b>	<b>\$</b>	<b>1,276,726</b>

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2015 consisted of the following:

	General Fund	Special Education Pass-Through Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 771,514	\$ -	\$ -	\$ 60,315	\$ -	\$ 831,829
Construction	-	-	-	126,374	-	126,374
Vendors payable	608,895	-	201,632	579,813	-	1,390,340
Unmatured interest	-	-	-	-	658,496	658,496
Due to grantor governments	-	3,685,221	-	-	-	3,685,221
<b>Total</b>	<b>\$ 1,380,409</b>	<b>\$ 3,685,221</b>	<b>\$ 201,632</b>	<b>\$ 766,502</b>	<b>\$ 658,496</b>	<b>\$ 6,692,260</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2015, consisted of \$466,391 in the General Fund from federal sources.

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 36,635,000	\$ -	\$ 1,990,000	\$ 34,645,000	\$ 2,185,000
Unamortized premium	1,793,551	-	123,427	1,670,124	123,427
Total general obligation bonds	38,428,551	-	2,113,427	36,315,124	2,308,427
Net OPEB obligation	1,992,776	968,918	-	2,961,694	-
Net pension liability	36,994,156	-	7,495,457	29,498,699	-
<b>Total</b>	<b>\$ 77,415,483</b>	<b>\$ 968,918</b>	<b>\$ 9,608,884</b>	<b>\$ 68,775,517</b>	<b>\$ 2,308,427</b>

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

**A. General Obligation Bonds**

General obligation bonds at June 30, 2015 consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2014	Additions	Deductions	Bonds Outstanding June 30, 2015
2004 Election Series B	February 2007	August 2031	4.2-5.5%	\$ 5,500,000	\$ 4,535,000	\$ -	\$ 180,000	\$ 4,355,000
2008 Election Series A	June 2009	August 2027	2.0-5.0%	10,000,000	10,000,000	-	-	10,000,000
2009 Refunding Bonds	February 2010	August 2020	2.0-4.8%	7,290,000	6,330,000	-	440,000	5,890,000
2012 Refunding Bonds	August 2012	August 2030	2.0-5.0%	17,700,000	15,770,000	-	1,370,000	14,400,000
					<b>\$ 36,635,000</b>	<b>\$ -</b>	<b>\$ 1,990,000</b>	<b>\$ 34,645,000</b>

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

The annual requirements to amortize the bonds outstanding at June 30, 2015 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,185,000	\$ 1,533,867	\$ 3,718,867
2017	2,400,000	1,436,116	3,836,116
2018	2,625,000	1,329,887	3,954,887
2019	2,875,000	1,214,027	4,089,027
2020	2,775,000	1,093,849	3,868,849
2021 - 2025	11,365,000	3,693,493	15,058,493
2026 - 2030	9,235,000	1,000,680	10,235,680
2031 - 2032	1,185,000	39,769	1,224,769
Total	\$ 34,645,000	\$ 11,341,688	\$ 45,986,688

**B. Net Pension Liability**

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District’s restated beginning net pension liability was \$36,994,156, and decreased by \$7,495,457 during the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$29,498,699. See Note 11 for additional information regarding the net pension liability.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Special Education Pass-Through Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Non-spendable</b>						
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Stores inventory	-	-	-	-	4,757	4,757
Prepaid expenditures	29,537	-	-	-	-	29,537
Total non-spendable	54,537	-	-	-	4,757	59,294
<b>Restricted</b>						
Educational programs	517,609	1	-	-	-	517,610
Capital projects	-	-	-	-	2,008,187	2,008,187
Debt service	-	-	-	3,153,951	-	3,153,951
All others	-	-	-	-	184,844	184,844
Total restricted	517,609	1	-	3,153,951	2,193,031	5,864,592
<b>Committed</b>						
Deferred maintenance	-	-	696,419	-	-	696,419
Total committed	-	-	696,419	-	-	696,419
<b>Assigned</b>						
Special reserve	488,072	-	-	-	-	488,072
Other assignments	-	-	-	-	244,323	244,323
Total assigned	488,072	-	-	-	244,323	732,395
<b>Unassigned</b>						
Reserve for economic uncertainties	1,202,357	-	-	-	-	1,202,357
Remaining unassigned	5,254,681	-	-	-	-	5,254,681
Total unassigned	6,457,038	-	-	-	-	6,457,038
<b>Total</b>	<b>\$ 7,517,256</b>	<b>\$ 1</b>	<b>\$ 696,419</b>	<b>\$ 3,153,951</b>	<b>\$ 2,442,111</b>	<b>\$ 13,809,738</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

**A. Plan Description and Contribution Information**

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

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	140
Active plan members	441
Total*	<u>581</u>

Number of participating employers	1
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\*As of July 1, 2014 actuarial study

**B. Funding Policy**

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

As of June 30, 2015, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

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

Annual required contribution	\$ 1,636,000
Interest on net OPEB obligation	79,711
Adjustment to annual required contribution	(73,616)
Annual OPEB cost (expense)	<u>1,642,095</u>
Contributions made	<u>(673,177)</u>
Increase (decrease) in net OPEB obligation	968,918
Net OPEB obligation, beginning of the year	<u>1,992,776</u>
Net OPEB obligation, end of the year	<u>\$ 2,961,694</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,642,095	41%	\$ 2,961,694
2014	\$ 931,000	73%	\$ 1,992,776
2013	\$ 941,000	63%	\$ 1,739,817

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

**D. Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 16,759,000	\$ 16,759,000	0%	\$ 25,333,493	66%

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

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

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the actuarial cost method used was Projected Unit Credit. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefits service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from 4.5% to 8.0% based on benefit. The UAAL is being amortized at a level percentage of payroll method with the remaining amortization period at June 30, 2015 of 29 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District recognized \$2,556,792 for their proportionate share of pension expense for the year ended June 30, 2015.

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

**Plan Description**

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

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

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

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

***CalSTRS 2% at 60***

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

***CalSTRS 2% at 62***

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for 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.

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

**Contributions**

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 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 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,684,606 for the year ended June 30, 2015.

**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 \$957,576 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

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

At June 30, 2015, 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	\$	22,999,230
States's proportionate share of the net pension liability associated with the District		<u>13,887,929</u>
Total	\$	<u>36,887,159</u>

The net pension liability was measured as of June 30, 2014, 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, 2013, and rolling forward the total pension liability to June 30, 2014. 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, 2014, the District’s proportion was 0.039 percent, which did not change from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,985,432. In addition, the District recognized pension expense and revenue of \$1,198,902 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 5,663,517
District contributions subsequent to the measurement date	<u>1,684,606</u>	<u>-</u>
	<u>\$ 1,684,606</u>	<u>\$ 5,663,517</u>

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

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

\$1,684,606 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, 2016. 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 Inflows of Resources</u>
2016	\$ 1,415,880
2017	1,415,879
2018	1,415,879
2019	1,415,879
	<u>\$ 5,663,517</u>

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

\* 10-year geometric average

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District's proportionate share of the net pension liability	\$ 35,849,785	\$ 22,999,230	\$ 12,284,203

**Pension plan fiduciary net position**

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Plan Description**

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

**Benefits provided**

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

**Contributions**

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$754,444 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$6,499,469 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013, and rolling forward the total pension liability to June 30, 2014. 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, 2014, the District's proportion was 0.0573 percent, which was a decrease of 0.0002 from its proportion measured as of June 30, 2013.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

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

For the year ended June 30, 2015, the District recognized pension expense of \$571,360. At June 30, 2015, 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	\$ -	\$ 2,233,290
Changes in proportion and differences between District contributions and proportionate share of contributions	-	25,239
District contributions subsequent to the measurement date	754,444	-
	<u>\$ 754,444</u>	<u>\$ 2,258,529</u>

\$754,444 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, 2016. 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 Inflows of Resources</u>
2016	\$ 564,632
2017	564,632
2018	564,632
2019	564,633
	<u>\$ 2,258,529</u>

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	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, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**Actuarial Assumptions (continued)**

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

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

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

**Discount rate**

The discount rate used to measure the total pension liability was 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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

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

**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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of the net pension liability	\$ 11,401,551	\$ 6,499,469	\$ 2,403,284

**Pension plan fiduciary net position**

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 12 – 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, 2015.

**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, 2015.

**C. Construction Commitments**

As of June 30, 2015, the District had commitments with respect to unfinished capital projects of \$2,284,997.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

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

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District’s deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>
STRS Pension	\$ 1,684,606	\$ 5,663,517
PERS Pension	754,444	2,258,529
<b>Total</b>	<b>\$ 2,439,050</b>	<b>\$ 7,922,046</b>

**NOTE 15 – RESTATEMENT OF NET POSITION**

The beginning net position of Governmental Activities has been restated in order to record the District’s proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 31,775,737
Restatement	(34,863,953)
Net Position - Beginning, as Restated	<b>\$ (3,088,216)</b>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**ALBANY UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 25,969,037	\$ 26,057,327	\$ 26,490,409	\$ 433,082
Federal sources	1,053,447	1,144,924	1,096,511	(48,413)
Other state sources	3,518,366	3,684,598	3,470,474	(214,124)
Other local sources	7,088,180	7,777,080	7,702,525	(74,555)
<b>Total Revenues</b>	<b>37,629,030</b>	<b>38,663,929</b>	<b>38,759,919</b>	<b>95,990</b>
<b>EXPENDITURES</b>				
Certificated salaries	19,380,868	19,766,411	19,814,773	(48,362)
Classified salaries	4,703,493	4,974,343	5,170,063	(195,720)
Employee benefits	10,780,040	9,968,840	9,818,448	150,392
Books and supplies	1,558,949	1,643,144	1,657,078	(13,934)
Services and other operating expenditures	3,161,767	3,533,355	3,574,203	(40,848)
Other outgo				
Transfers of indirect costs	(193,400)	(196,925)	(196,275)	(650)
<b>Total Expenditures</b>	<b>39,391,717</b>	<b>39,689,168</b>	<b>39,838,290</b>	<b>(149,122)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(1,762,687)</b>	<b>(1,025,239)</b>	<b>(1,078,371)</b>	<b>(53,132)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	707,750		1,274,407	1,274,407
Transfers out	(1,085,281)	(229,580)	(1,514,374)	(1,284,794)
<b>Net Financing Sources (Uses)</b>	<b>(377,531)</b>	<b>(229,580)</b>	<b>(239,967)</b>	<b>(10,387)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,140,218)</b>	<b>(1,254,819)</b>	<b>(1,318,338)</b>	<b>(63,519)</b>
<b>Fund Balance - Beginning</b>	<b>7,042,411</b>	<b>8,347,522</b>	<b>8,347,522</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,902,193</b>	<b>\$ 7,092,703</b>	<b>\$ 7,029,184</b>	<b>\$ (63,519)</b>

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

- On behalf payments of \$957,576 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**ALBANY UNIFIED SCHOOL DISTRICT  
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

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	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Federal sources	\$ 4,280,158	\$ 4,474,785	\$ 4,474,785	\$ -
Other state sources	13,098,636	13,069,620	13,206,753	137,133
<b>Total Revenues</b>	<b>17,378,794</b>	<b>17,544,405</b>	<b>17,681,538</b>	<b>137,133</b>
<b>EXPENDITURES</b>				
Other outgo				
Excluding transfers of indirect costs	17,378,794	17,544,405	17,681,538	(137,133)
<b>Total Expenditures</b>	<b>17,378,794</b>	<b>17,544,405</b>	<b>17,681,538</b>	<b>(137,133)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>				
<b>Fund Balance - Beginning</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>-</b>

See accompanying note to required supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
DEFERRED MAINTENANCE FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ -	\$ 150,000	\$ 150,000	\$ -
Other local sources	64,113	64,113	65,023	910
<b>Total Revenues</b>	<b>64,113</b>	<b>214,113</b>	<b>215,023</b>	<b>910</b>
<b>EXPENDITURES</b>				
Books and supplies	90,000	40,000	18,765	21,235
Services and other operating expenditures	310,000	587,750	437,278	150,472
Capital outlay	-	1,337,963	813,568	524,395
<b>Total Expenditures</b>	<b>400,000</b>	<b>1,965,713</b>	<b>1,269,611</b>	<b>696,102</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(335,887)</b>	<b>(1,751,600)</b>	<b>(1,054,588)</b>	<b>697,012</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	150,000	1,275,000	1,274,407	(593)
<b>Net Financing Sources (Uses)</b>	<b>150,000</b>	<b>1,275,000</b>	<b>1,274,407</b>	<b>(593)</b>
<b>NET CHANGE IN FUND BALANCE</b>				
<b>Fund Balance - Beginning</b>	<b>475,171</b>	<b>476,600</b>	<b>476,600</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 289,284</b>	<b>\$ -</b>	<b>\$ 696,419</b>	<b>\$ 696,419</b>

See accompanying note to required supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2014	\$ -	\$ 16,759,000	\$ 16,759,000	0%	\$ 25,333,493	66%
July 1, 2013	\$ -	\$ 9,463,000	\$ 9,463,000	0%	\$ 22,814,329	41%
July 1, 2011	\$ -	\$ 9,456,000	\$ 9,456,000	0%	\$ 21,329,401	44%

See accompanying note to required supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.039%
District's proportionate share of the net pension liability	\$ 22,999,230
States's proportionate share of the net pension liability associated with the District	13,887,929
Total	<u>\$ 36,887,159</u>
District's covered-employee payroll	\$ 18,920,491
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.6%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%

See accompanying note to required supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.057%
District's proportionate share of the net pension liability	\$ 6,499,469
District's covered-employee payroll	\$ 6,413,002
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.3%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,684,606
Contributions in relation to the contractually required contribution*	(1,684,606)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 18,920,491
Contributions as a percentage of covered-employee payroll	8.90%

\*Amounts do not include on behalf contributions

**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 754,444
Contributions in relation to the contractually required contribution	(754,444)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 6,413,002
Contributions as a percentage of covered-employee payroll	11.76%

See accompanying note to required supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Funding Progress**

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

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

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

**Schedule of District Contributions**

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

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION continued**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

For the year ended June 30, 2015, the District incurred excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 19,766,411	\$ 19,814,773	\$ 48,362
Classified salaries	\$ 4,974,343	\$ 5,170,063	\$ 195,720
Books and supplies	\$ 1,643,144	\$ 1,657,078	\$ 13,934
Services and other operating expenditures	\$ 3,533,355	\$ 3,574,203	\$ 40,848
Special Education Pass-Through Fund			
Other outgo	\$ 17,544,405	\$ 17,681,538	\$ 137,133

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**SUPPLEMENTARY  
INFORMATION**

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**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 243,070
Title II, Part A, Teacher Quality	84.367A	14341	54,116
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	86,903
Title III, Immigrant Education Program	84.365	15146	29,309
Subtotal Title III Cluster			<u>116,212</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,400,082
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	303,895
Part B, Preschool Grants	84.173	13430	112,942
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	208,172
Preschool Staff Development	84.173A	13431	1,197
Subtotal Special Education Cluster			<u>5,026,288</u>
IDEA Early Intervention Grants	84.181	23761	131,610
<b>Total U. S. Department of Education</b>			<u>5,571,296</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	37,309
National School Lunch Program	10.555	13391	270,823
USDA Commodities	10.555	*	60,185
Subtotal Child Nutrition Cluster			<u>368,317</u>
Child and Adult Food Care Program	10.558	13393	85,758
<b>Total U. S. Department of Agriculture</b>			<u>454,075</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Family Child Care	93.596	13609	287,484
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>287,484</u>
<b>Total Federal Expenditures</b>			<u>\$ 6,312,855</u>

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

**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Second Period Report</b>	<b>Second Period Report After Audit Adjustments</b>	<b>Annual Report</b>
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	1,138.24	1,138.24	1,135.35
Extended Year Special Education	2.08	2.08	2.52
Total TK/K through Third	1,140.32	1,140.32	1,137.87
Fourth through Sixth			
Regular ADA	869.81	869.81	869.10
Extended Year Special Education	0.87	0.87	1.23
Special Education - Nonpublic Schools	0.26	0.26	0.51
Total Fourth through Sixth	870.94	870.94	870.84
Seventh through Eighth			
Regular ADA	557.06	557.06	557.52
Extended Year Special Education	0.41	0.41	0.57
Total Seventh through Eighth	557.47	557.47	558.09
Ninth through Twelfth			
Regular ADA	1,186.58	1,183.81	1,176.21
Extended Year Special Education	1.08	1.08	1.36
Special Education - Nonpublic Schools	3.04	3.04	2.62
Extended Year Special Education - Nonpublic Schools	0.40	0.40	0.40
Total Ninth through Twelfth	1,191.10	1,188.33	1,180.59
TOTAL SCHOOL DISTRICT	3,759.83	3,757.06	3,747.39

See accompanying note to supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2014-15 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	35,000	51,300	180	Complied
Grade 1	50,400	49,000	53,610	180	Complied
Grade 2	50,400	49,000	53,610	180	Complied
Grade 3	50,400	49,000	53,610	180	Complied
Grade 4	54,000	52,500	54,450	180	Complied
Grade 5	54,000	52,500	54,450	180	Complied
Grade 6	54,000	52,500	56,015	180	Complied
Grade 7	54,000	52,500	65,405	180	Complied
Grade 8	54,000	52,500	65,405	180	Complied
Grade 9	64,800	63,000	65,075	180	Complied
Grade 10	64,800	63,000	65,075	180	Complied
Grade 11	64,800	63,000	65,075	180	Complied
Grade 12	64,800	63,000	65,075	180	Complied

See accompanying note to supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	2016 (Budget)	2015	2014	2013
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 42,919,787	\$ 40,034,326	\$ 38,261,120	\$ 35,707,001
Expenditures And Other Financing Uses	41,015,904	41,352,664	38,413,532	34,562,885
Net change in Fund Balance	\$ 1,903,883	\$ (1,318,338)	\$ (152,412)	\$ 1,144,116
Ending Fund Balance	\$ 8,933,067	\$ 7,029,184	\$ 8,347,522	\$ 8,499,934
Available Reserves*	\$ 6,932,296	\$ 6,457,038	\$ 7,201,965	\$ 7,841,895
Available Reserves As A Percentage Of Outgo	16.90%	15.61%	18.75%	22.69%
Long-term Debt	\$ 66,467,090	\$ 68,775,517	\$ 40,421,327	\$ 41,791,800
Average Daily Attendance At P-2	3,749	3,757	3,734	3,680

The General Fund balance has decreased by \$1,470,750 over the past two years. The fiscal year 2015-16 budget projects an increase of \$1,903,883. 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 deficits in two of the past three years and anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$26,983,717 over the past two years.

Average daily attendance has increased by 77 ADA over the past two years. A slight decrease in ADA is anticipated during the 2015-16 fiscal year.

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

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

On behalf payments of \$957,576 are not included in the actual revenues and expenditures reported in this schedule.

**ALBANY UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>General Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>
June 30, 2015, annual financial and budget report fund balance	\$ 7,029,184	\$ 488,072
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	488,072	(488,072)
Net adjustments and reclassifications	488,072	(488,072)
June 30, 2015, audited financial statement fund balance	\$ 7,517,256	\$ -

See accompanying note to supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2015**

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*The District did not sponsor any charter schools during the year ended June 30, 2015.*

**ALBANY UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 667	\$ 206,118	\$ 122,782	\$ 360,107	\$ 35,465	\$ 2,279,019	\$ 3,004,158
Accounts receivable	-	91,638	83,598	200	25	1,499	176,960
Due from other funds	-	-	-	23,405	-	-	23,405
Stores inventory	-	-	4,757	-	-	-	4,757
<b>Total Assets</b>	<b>\$ 667</b>	<b>\$ 297,756</b>	<b>\$ 211,137</b>	<b>\$ 383,712</b>	<b>\$ 35,490</b>	<b>\$ 2,280,518</b>	<b>\$ 3,209,280</b>
<b>LIABILITIES</b>							
Accrued liabilities	\$ -	\$ 53,433	\$ 21,536	\$ 128,145	\$ 1,387	\$ 562,001	\$ 766,502
Due to other funds	667	-	-	-	-	-	667
<b>Total Liabilities</b>	<b>667</b>	<b>53,433</b>	<b>21,536</b>	<b>128,145</b>	<b>1,387</b>	<b>562,001</b>	<b>767,169</b>
<b>FUND BALANCES</b>							
Non-spendable	-	-	4,757	-	-	-	4,757
Restricted	-	-	184,844	255,567	34,103	1,718,517	2,193,031
Assigned	-	244,323	-	-	-	-	244,323
<b>Total Fund Balances</b>	<b>-</b>	<b>244,323</b>	<b>189,601</b>	<b>255,567</b>	<b>34,103</b>	<b>1,718,517</b>	<b>2,442,111</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 667</b>	<b>\$ 297,756</b>	<b>\$ 211,137</b>	<b>\$ 383,712</b>	<b>\$ 35,490</b>	<b>\$ 2,280,518</b>	<b>\$ 3,209,280</b>

See accompanying note to supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
<b>REVENUES</b>							
Federal sources	\$ -	\$ 366,757	\$ 374,802	\$ -	\$ -	\$ -	\$ 741,559
Other state sources	-	593,638	22,204	-	-	-	615,842
Other local sources	-	1,312,555	660,387	9,345	50,602	5,367	2,038,256
<b>Total Revenues</b>	<b>-</b>	<b>2,272,950</b>	<b>1,057,393</b>	<b>9,345</b>	<b>50,602</b>	<b>5,367</b>	<b>3,395,657</b>
<b>EXPENDITURES</b>							
Current							
Instruction	-	1,619,940	-	-	-	-	1,619,940
Pupil services							
Food services	-	-	1,003,334	-	-	-	1,003,334
General administration							
All other general administration	-	143,245	53,030	-	-	-	196,275
Plant services	-	62,618	-	-	42,956	-	105,574
Facilities acquisition and maintenance	-	-	-	1,074,909	-	1,361,392	2,436,301
Community services	-	434,530	-	-	-	-	434,530
<b>Total Expenditures</b>	<b>-</b>	<b>2,260,333</b>	<b>1,056,364</b>	<b>1,074,909</b>	<b>42,956</b>	<b>1,361,392</b>	<b>5,795,954</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>-</b>	<b>12,617</b>	<b>1,029</b>	<b>(1,065,564)</b>	<b>7,646</b>	<b>(1,356,025)</b>	<b>(2,400,297)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	2,319	-	-	-	2,319
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>2,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>12,617</b>	<b>3,348</b>	<b>(1,065,564)</b>	<b>7,646</b>	<b>(1,356,025)</b>	<b>(2,397,978)</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>231,706</b>	<b>186,253</b>	<b>1,321,131</b>	<b>26,457</b>	<b>3,074,542</b>	<b>4,840,089</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ 244,323</b>	<b>\$ 189,601</b>	<b>\$ 255,567</b>	<b>\$ 34,103</b>	<b>\$ 1,718,517</b>	<b>\$ 2,442,111</b>

See accompanying note to supplementary information.

**ALBANY UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2015**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District passes through certain Federal assistance received to other governments (subrecipients). The subrecipient agencies have certain compliance responsibilities related to administering these Federal programs. Under Circular A-133, the District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

The following schedule provides the amounts passed-through to subrecipients included in the Schedule of Expenditures of Federal Awards:

Program Name	CFDA Number	Amounts Provided to Subrecipients
Special Education Cluster:		
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	\$ 3,829,819
Part B, Preschool Grants	84.173	99,236
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	183,612
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	255,508
IDEA Early Intervention Grants		106,610
		<u>\$ 4,474,785</u>

**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, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

**ALBANY UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION continued**  
**JUNE 30, 2015**

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**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. (Located in the front of the audit report)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

Independent Auditors' Report

Governing Board  
Albany Unified School District  
Albany, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Albany Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Albany Unified School District's basic financial statements, and have issued our report thereon dated December 8, 2015.

**Internal Control over Financial Reporting**

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

San Diego, California  
December 8, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-**

**133**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board  
Albany Unified School District  
Albany, California

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

We have audited Albany Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Albany Unified School District's major federal programs for the year ended June 30, 2015. Albany Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Albany Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Albany Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, Albany Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

Management of Albany Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Albany Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Albany Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California

December 8, 2015

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
Albany Unified School District  
Albany, California

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

We have audited Albany Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Albany Unified School District's state programs for the fiscal year ended June 30, 2015, as identified below.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Albany Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Albany Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### *Opinion on State Compliance*

In our opinion, Albany Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2015-1, #2015-2, #2015-3. Our opinion on state compliance is not modified with respect to these matters.

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

### *Procedures Performed*

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	No
Instructional Time for school districts	Yes
Instructional Materials, general requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	Yes

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

We did not perform testing for Continuation Education, because it did not meet the threshold required for testing.

*Christy White Associates*

San Diego, California  
December 8, 2015

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**ALBANY UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.027, 84.173, 84.027A, 84.073A</u>	<u>Special Education Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

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

**ALBANY UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

*There were no financial statement findings for the year ended June 30, 2015.*

**ALBANY UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

*There were no federal award findings and questioned costs for the year ended June 30, 2015.*

**ALBANY UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**FINDING #2015-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** 15 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to support their designation. When this error rate was extrapolated to the total FRPM population of 319, it totaled 80 ineligible students.

**Cause:** Incorrect classification of students.

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

**Context:** 80 of 2,576 (1,305 in 2013-14 and 1,271 in 2014-15) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

**ALBANY UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

**FINDING #2015-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)  
(continued)**

**Questioned Cost:** \$18,497, as calculated below.

<b>LCFF Target Base Grant Amount and Pupil Counts</b>		
1) Total Base Grant Amount <sup>(1)</sup>		<b>29,485,689</b>
	<b>Section 1: UPP</b>	<b>Section 2: UPP</b>
2) Total Enrollment Count from Unduplicated Pupil Percentage Exhibit <sup>(2)</sup>	<b>7,762</b>	<b>7,720</b>
3) Unduplicated Pupil Count from Unduplicated Pupil Percentage Exhibit <sup>(3)</sup>	<b>2,542</b>	<b>2,576</b>
<b>Unduplicated Pupil Percentage Adjustment</b>		
4) Unduplicated Pupil Count	2,542	2,576
5) Number of Unduplicated Pupil Count Adjustment (plus or minus) <sup>(4)</sup>	(80)	(80)
6) Adjusted Unduplicated Pupil Count	2,462	2,496
7) Unduplicated Pupil Percentage calculated at P-2	0.3275	0.3337
8) Adjusted Unduplicated Pupil Percentage	0.3172	0.3233
<b>9) Funded UPP (Greater of Section 1 or 2)</b>		<b>0.3233</b>
<b>Target Supplemental Audit Adjustment</b>		
10) Target supplemental grant funding calculated at P-2	-	1,967,875
11) Adjusted target supplemental grant funding	-	1,906,545
12) Target supplemental audit adjustment	-	(61,330)
<b>Target Concentration Audit Adjustment</b>		
13) Target Concentration grant funding calculated at P-2	-	-
14) Adjusted target concentration grant funding	-	-
15) Target concentration audit adjustment	-	-
<b>Value of Adjustment in Current Year</b>		
16) Total target supplemental and concentration audit adjustment	-	(61,330)
17) Statewide gap funding rate	0.3016000000	0.3016000000
18) Estimated value of unduplicated pupil count audit adjustment for 2014-15	-	<b>(18,497)</b>

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

**District Response:** The District will conduct periodical audits prior to the certification of CALPADS to ensure compliance with the Unduplicated Local Control Funding Formula Pupil Counts.

**ALBANY UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINDING 2015-2: ATTENDANCE REPORTING (10000)**

**Criteria:** The P-2 Attendance Report should tie to supporting documentation per Education Code Section 41601. Auditors are required to verify compliance in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** The District's P-2 Attendance Report did not match supporting documentation.

**Context:** Review of the District's P-2 Attendance Report.

**Cause:** Discrepancy was due to clerical errors.

**Effect:** Misstatement of ADA on the P-2 attendance report.

**ADA Impact:** The District's P-2 Report was overstated by 2.77 ADA for Grades 9-12.

**Questioned Cost:** The District's base grant ADA rate for grades 9-12 is \$8,712. Therefore, the overstatement of 2.77 ADA results in an estimated questioned cost of \$24,132.

**Recommendation:** We recommend implementation of internal controls to ensure accuracy of attendance reporting.

**District Response:** The District will have staff attend the CASBO Pupil Attendance Accounting workshop. The District will also add a review by the Budget Analyst prior to the certification and submittal of the attendance reports to the Alameda County Office of Education.

**ALBANY UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINDING 2015-3: INSTRUCTIONAL MATERIALS PUBLIC HEARING (70000)**

**Criteria:** Pursuant to Education Code 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the end of the eighth week from the first day pupils attended school for that year.

**Condition:** The District was found to be out of compliance with regard to when the public hearing for instructional materials was held. The District held the hearing on October 28, 2014, while the first day of school was August 26, 2014. The meeting was after the end of the eighth week from the first day pupils attended school for that year

**Cause:** Oversight by District staff to be in compliance with state regulations regarding IMFRP hearing.

**Effect:** A public hearing, as required by Education Code, was not held on or before the end of the eighth week from the first day pupils attended school for that year.

**Questioned Cost:** None. Based on an LEA advisory from the *California State Controller* dated October 1, 2014, the requirements are verified for compliance only and a finding does not result in disallowance of funds.

**Recommendation:** We recommend the District properly monitor and oversee employees responsible for making sure the public hearing is held at a time that encourages attendance according to Education Code 60119.

**District Response:** The District will add this public hearing requirement to the annual Board Governance Calendar with notations about deadlines for each step in this process to ensure compliance.

**ALBANY UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINDING #2014-1: ALLOWABLE COSTS PRINCIPLES – DOCUMENTATION OF EMPLOYEE TIME AND EFFORT (5000)**

**Criteria:** OMB Circular A-87 requires that when federal funds are expended employees charged to the program document their time and effort to support the charges. When the employee is paid from a single program or cost objective, the documentation must be completed periodically (at least semi-annually). When the employee is paid from multiple programs or cost objectives the documentation must be completed monthly. Documentation under both methods must be an after-the-fact certification or actual effort expended.

**Condition:** In our review of employees charged to the Title I and Special Education programs we noted that all employees tested that were funded under multiple cost objectives had on file a Semi-Annual Certification rather than the required monthly personnel activity report (PARS) in accordance with OMB Circular A-87 for employees charged to the programs.

**Questioned Costs:** 84.010 Title I (2013-14 Grant) - \$126,030; 84.027 and 84.173 – Special Education (2013-14 Grant) - \$66,654; Total Questioned Costs - \$192,684

**Cause:** Individuals charged with responsibility for obtaining certifications to document employee time and effort did not understand the requirements of OMB Circular A-87. In addition, the district did not have an procedure in place to ensure that the required documentation was obtained for all employees charged to federal programs.

**Effect:** The District did not comply with the requirements of OMB Circular A-87 with regards to employees.

**Recommendation:** Implement procedures to ensure that all employees charged to federal programs are documented in accordance with OMB Circular A-87. Provide training to employees to ensure procedures are understood and followed. Implement review procedures to ensure documentation is completed correctly and timely.

**District Response:** The District has reviewed the California School Accounting Manual and is working with the Alameda County Office of Education to develop a process for Employee Time and Effort Documentation Reporting. A compliant Personnel Activity Report (PARS) will be implemented.

**Current Status:** Implemented.

**ALBANY UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINDING #2014-2: ATTENDANCE (10000)**

**Criteria:** Determine that class attendance rosters are being signed, dated, and retained in a timely manner as proper verification of pupil attendance based on the guidelines and provisions under Education Code Sections 46000 and 46303.

**Condition:** In review of class rosters at Albany Middle School for the period February 10 through March 7, 2014 which was the seventh month of attendance, we noted that teachers were signing their rosters months after the period ended as approval for month seven attendance verification. It appears that the attendance is not being verified and approved on a timely basis. Weekly/monthly attendance should be signed, verified, and dated immediately after the end of each attendance month. Based on our review, we determined there are no questioned costs or loss of attendance to be identified as all teacher rosters were approved prior to the fiscal year-end; however, procedures need to be implemented to ensure teachers are verifying pupil attendance on a timely basis.

**Questioned Costs:** None

**Recommendation:** Implement procedures to ensure teacher class rosters at Albany Middle School are verified, signed, and dated on a timely basis. All class rosters should be signed, dated, and verified immediately after the end of each attendance period in a timely manner.

**District Response:** All applicable employees will be notified of the finding. The District will review current processes and update applicable employees as necessary. Training will be provided as deemed necessary.

**Current Status:** Implemented.