

**PIEDMONT UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

PIEDMONT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Piedmont Unified School District
Piedmont, 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 Piedmont Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Piedmont Unified School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's decision and analysis, budgetary comparison information, and schedule of other postemployment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Piedmont Unified School District's basic financial statements. The combining statements of nonmajor governmental funds and schedule of expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29 2013, on our consideration of the Piedmont 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 Piedmont Unified School District's internal control over financial reporting and compliance.

VarrineK, Trine, Day & Co., LLP

Pleasanton, California
November 29, 2013

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

This section of Piedmont Unified School District's (the District) 2013 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Piedmont Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and are reflected in the Statement of Activities.

These two statements report the District's *Net Position* and changes in them. Net Position is the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The relationship between revenues and expenses is the District's *operating results*. Since the Governing Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities* we include the District activities as follows:

Governmental activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$12,931,144, and \$10,740,319 for the fiscal years ended June 30, 2013 and 2012, respectively. Of this amount, \$5,178,622 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 the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2013	2012
Current and other assets	\$ 16,082,024	\$ 18,596,077
Capital assets	81,792,409	79,916,176
Total Assets	<u>97,874,433</u>	<u>98,512,253</u>
Current liabilities	6,078,526	6,880,962
Long-term liabilities	78,864,763	80,890,972
Total Liabilities	<u>84,943,289</u>	<u>87,771,934</u>
Net position		
Net investment capital assets	1,380,952	953,044
Restricted	6,371,570	4,331,561
Unrestricted	5,178,622	5,455,714
Total Net Position	<u>\$ 12,931,144</u>	<u>\$ 10,740,319</u>

The \$5,178,622 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table 2

Revenues	Governmental Activities	
	2013	2012
Program revenues		
Charges for services	\$ 150	\$ 595
Operating grants and contributions	2,841,769	2,804,444
Capital grants and contributions	2,995,026	8,450,954
General revenues:		
Federal and State aid	7,863,285	8,356,765
Property taxes	22,242,134	21,873,425
Other general revenues	4,802,355	4,695,250
Total Revenues	40,744,719	46,181,433
Expenses		
Instruction related	27,400,764	30,299,942
Student support services	1,585,272	1,576,798
Administration	2,161,149	2,092,316
Maintenance and operations	3,474,811	3,652,738
Other	3,931,898	3,744,080
Total Expenses	38,553,894	41,365,874
Change in Net Position	\$ 2,190,825	\$ 4,815,559

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$38,553,894. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$22,242,134 because the cost was paid by those who benefited from the programs, \$150 or by other governments and organizations who subsidized certain programs with grants and contributions \$5,836,795. We paid for the remaining "public benefit" portion of our governmental activities with \$7,863,285 in Federal and State aid and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: regular instruction, instruction related activities, pupil services, and other as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Table 3

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 24,025,426	\$ 26,265,848	\$ 18,829,701	\$ 15,715,991
Instruction related activities	3,375,338	4,034,094	3,339,504	3,995,210
Pupil services	1,585,272	1,576,798	1,553,781	1,540,207
General administration	2,161,149	2,092,316	2,159,680	2,089,493
Plant services	3,474,811	3,652,738	3,461,343	3,565,068
Other	3,931,898	3,744,080	3,372,940	3,203,219
Totals	\$ 38,553,894	\$ 41,365,874	\$ 32,716,949	\$ 30,109,188

THE DISTRICT’S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$12,924,338 which is a decrease of \$1,471,088 from last year.

The primary reasons for the changes between 2012 and 2013 are:

- 1) Local and Special Education revenues in 2013 were decreased \$216,000. Also, there were additional costs in salaries and benefits.
- 2) *Adult education fund’s local and state revenues have decreased and expenditures were increased.
- 3) *The deferred maintenance fund decreased \$112,000 because of reduction in local revenue.
- 4) The state school facilities fund’s revenues decreased and expenditures were also decreased.
- 5) Our other funds did not have significant changes.

*Fund that is consolidated into General Fund for GASB 54 reporting purpose.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2013. A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 47.

The primary reasons for the changes in the revenues and expenditures between the original and final budgets and the actual amounts are:

- Budgeted revenues increased between original budget and final budget of \$2,015,860, of which \$591,231 from Revenue Limit, federal, and state revenues, and the remaining from local revenues (parents’ contributions; parents and other support groups’ contributions to preservation fund for furlough days; and donations which paid for expenditures for salaries, benefits, and supplies/services).
- There were also modifications, based on close monitoring of actual costs throughout the year.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The District originally projected a decrease in the general fund of \$1,657,180 and the actual net change in fund balance is a decrease of \$182,462. Although revenues were \$2,015,860 more than originally projected, expenditures were \$509,885 more than originally projected. The District froze expenditures and monitored every transaction closely to control the budget during the State Budget crisis. Increases in revenue are from one-time local donations and new Federal programs.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$81,793,409 in a broad range of capital assets (net of depreciation), including land and improvements, buildings and improvements, furniture and equipment, and construction in progress. This amount represents a net increase (including additions, deductions and depreciation) of \$1,877,233 from last year due to efforts of the District's Seismic Safety Bond Program in rehabilitating buildings with structural deficiencies and retrofitting an elementary school.

Table 4

	Governmental Activities	
	2013	2012
Land and improvements	\$ 3,303,775	\$ 3,382,904
Buildings and improvements	77,904,439	66,019,647
Furniture and equipment	141,995	167,886
Construction in progress	443,200	10,345,739
Totals	\$ 81,793,409	\$ 79,916,176

Additional detail on capital assets can be found in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$81,668,933 of long term debt outstanding versus \$83,677,701 last year, a decrease of 2.4 percent. The long term obligations outstanding consisted of:

Table 5

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 66,519,764	\$ 68,842,245
Bond anticipation notes	13,439,333	12,950,437
General obligation bond premiums	1,571,389	1,684,140
Accumulated vacation	138,447	158,599
Postemployment benefits	-	42,280
Totals	\$ 81,668,933	\$ 83,677,701

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

We present more detailed information regarding our long-term obligations in Note #7 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-2013 ARE NOTED BELOW:

The District developed a balanced budget for 2013-14 with limited impact on the educational program, including completion of successful negotiations with all employee groups. The District was also able to complete positive certifications for the First and Second Interim Reports. The District acknowledges its strong working relationships with the Association of Piedmont Parent Clubs, the Piedmont Education Foundation, and other support groups. Also, the District was able to reserve \$3.4 million for 2013-14.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-14 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Use Local Control Funding Formula calculator prepared by ACOE.
2. ADA increases from 2510 to 2538.
3. On-going revenue for Mandate Block Grant (approx. \$69K).
4. Additional Parents' contribution for furlough days, approx \$180K.
5. Increase in levy of Parcel Tax Measure A is yet to be determined
6. Transfer in \$120K from Adult Education Fund for support costs.
7. Transfer out \$50K to Capital Facilities Fund for sports field's replacement cost.
8. Only 1 furlough day for certificated staff.
9. Cap benefits for all employee groups.

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:

Constance Hubbard
Superintendent
Piedmont Unified School District
Piedmont, CA 94611
OR
chubbard@piedmont.12.ca.us

PIEDMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 11,905,045
Receivables	3,337,274
Prepaid expenses	24,846
Deferred charges	813,779
Capital assets not depreciated	778,223
Capital assets, net of accumulated depreciation	81,014,186
Net OPEB asset	1,080
Total Assets	<u>97,874,433</u>
LIABILITIES	
Accounts payable	2,342,827
Interest payable	931,529
Current portion of long-term obligations	2,804,170
Noncurrent portion of long-term obligations	78,864,763
Total Liabilities	<u>84,943,289</u>
NET POSITION	
Net investment in capital assets	1,380,952
Restricted for:	
Debt service	3,214,124
Capital projects	3,133,197
Educational programs	19,216
Special revenue	5,033
Unrestricted	5,178,622
Total Net Position	<u>\$ 12,931,144</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 24,025,426	\$ -	\$ 2,200,699	\$ 2,995,026	\$ (18,829,701)
Instruction-related activities:					
Supervision of instruction	681,603	-	-	-	(681,603)
Instructional library, media, and technology	494,507	-	-	-	(494,507)
School site administration	2,199,228	-	35,834	-	(2,163,394)
Pupil services:					
Home-to-school transportation	63,154	-	15,193	-	(47,961)
Food services	160,991	150	3,624	-	(157,217)
All other pupil services	1,361,127	-	12,524	-	(1,348,603)
General administration:					
Data processing	282,508	-	-	-	(282,508)
All other general administration	1,878,641	-	1,469	-	(1,877,172)
Plant services	3,474,811	-	13,468	-	(3,461,343)
Ancillary services	350,223	-	-	-	(350,223)
Interest on long-term obligations	3,581,675	-	-	-	(3,581,675)
Other outgo	-	-	558,958	-	558,958
Total Governmental Activities	\$ 38,553,894	\$ 150	\$ 2,841,769	\$ 2,995,026	(32,716,949)
General revenues and subventions:					
					8,183,000
Property taxes, levied for general purposes					5,030,538
Property taxes, levied for debt service					9,028,596
Taxes levied for other specific purposes					7,863,285
Federal and State aid not restricted to specific purposes					29,274
Interest and investment earnings					4,773,081
Miscellaneous					34,907,774
					Subtotal, General Revenues
					2,190,825
					Change in Net Position
					10,740,319
					Net Position - Beginning
					\$ 12,931,144
					Net Position - Ending

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 3,787,768	\$ 1,195,526	\$ 2,412,765
Receivables	3,287,808	189	631
Due from other funds	18,000	192,615	1,006,381
Prepaid expenses	24,846	-	-
Total Assets	\$ 7,118,422	\$ 1,388,330	\$ 3,419,777
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,591,498	\$ 76,699	\$ 673,709
Due to other funds	192,615	1,006,381	-
Total Liabilities	1,784,113	1,083,080	673,709
Fund Balances:			
Nonspendable	49,846	-	-
Restricted	19,216	305,250	2,746,068
Committed	547,565	-	-
Assigned	823,330	-	-
Unassigned	3,894,352	-	-
Total Fund Balances	5,334,309	305,250	2,746,068
Total Liabilities and Fund Balances	\$ 7,118,422	\$ 1,388,330	\$ 3,419,777

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 4,142,034	\$ 366,952	\$ 11,905,045
3,619	45,027	3,337,274
-	-	1,216,996
-	-	24,846
<u>\$ 4,145,653</u>	<u>\$ 411,979</u>	<u>\$ 16,484,161</u>

\$ -	921	\$ 2,342,827
-	18,000	1,216,996
-	18,921	3,559,823

-	-	49,846
4,145,653	392,162	7,608,349
-	896	548,461
-	-	823,330
-	-	3,894,352
<u>4,145,653</u>	<u>393,058</u>	<u>12,924,338</u>

<u>\$ 4,145,653</u>	<u>\$ 411,979</u>	<u>\$ 16,484,161</u>
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The accompanying notes are an integral part of these financial statements.

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PIEDMONT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Fund Balance - Governmental Funds		\$ 12,924,338
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$98,537,810	
Accumulated depreciation is	<u>(16,745,401)</u>	
Net Capital Assets		81,792,409
Deferred charges related to the issuance of debt are expensed over the life of the debt on the government-wide financial statements, but are recorded as an expenditure in the governmental fund statements when the debt was issued.		813,779
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(931,529)
Net pension assets - OPEB is not a current financial resource, therefore it is not reported in the governmental activities		1,080
Long-term liabilities at year end consist of:		
Bonds payable	(66,519,764)	
Bond anticipation notes	(13,439,333)	
Compensated absences (vacations)	(138,447)	
Bond premium net of amortization	<u>(1,571,389)</u>	
Total Long-Term Liabilities		<u>(81,668,933)</u>
Total Net Position - Governmental Activities		<u>\$ 12,931,144</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	\$ 13,558,297	\$ -	\$ -
Federal sources	792,965	-	-
Other state sources	3,595,771	-	2,995,026
Other local sources	14,014,986	547	28,322
Total Revenues	31,962,019	547	3,023,348
EXPENDITURES			
Current			
Instruction	22,714,477	-	-
Instruction-related activities:			
Supervision of instruction	641,991	-	-
Instructional library, media and technology	465,865	-	-
School site administration	2,071,659	-	-
Pupil services:			
Home-to-school transportation	59,498	-	-
Food services	1,050	-	-
All other pupil services	1,282,107	-	-
General administration:			
Data processing	266,054	-	-
All other general administration	1,769,557	-	-
Plant services	2,641,886	196,464	1,094,574
Facility acquisition and construction	13,725	187,055	3,000,366
Ancillary services	329,909	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	32,257,778	383,519	4,094,940
Excess (Deficiency) of			
Revenues Over Expenditures	(295,759)	(382,972)	(1,071,592)
Other Financing Sources (Uses):			
Transfers in	-	-	2,850,000
Transfers out	(50,000)	(2,850,000)	-
Net Financing Sources (Uses)	(50,000)	(2,850,000)	2,850,000
NET CHANGE IN FUND BALANCES	(345,759)	(3,232,972)	1,778,408
Fund Balance - Beginning	5,680,068	3,538,222	967,660
Fund Balance - Ending	\$ 5,334,309	\$ 305,250	\$ 2,746,068

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 13,558,297
503,119	3,538	1,299,622
33,089	-	6,623,886
5,007,455	211,604	19,262,914
<u>5,543,663</u>	<u>215,142</u>	<u>40,744,719</u>
-	-	22,714,477
-	-	641,991
-	-	465,865
-	-	2,071,659
-	-	59,498
-	150,597	151,647
-	-	1,282,107
-	-	266,054
-	-	1,769,557
-	16,072	3,948,996
-	9,058	3,210,204
-	-	329,909
2,685,000	-	2,685,000
2,618,843	-	2,618,843
<u>5,303,843</u>	<u>175,727</u>	<u>42,215,807</u>
<u>239,820</u>	<u>39,415</u>	<u>(1,471,088)</u>
-	50,000	2,900,000
-	-	(2,900,000)
-	50,000	-
239,820	89,415	(1,471,088)
3,905,833	303,643	14,395,426
<u>\$ 4,145,653</u>	<u>\$ 393,058</u>	<u>\$ 12,924,338</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balance - Governmental Funds	\$ (1,471,088)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities.	
This is the amount by which capital outlays exceeds depreciation expense in the period.	
Depreciation expense	\$ (2,031,361)
Capital outlays	<u>3,907,594</u>
Net Expense Adjustment	1,876,233
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	20,152
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements.	112,751
Payment of the bond issuance cost is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the Statement of Net Position over the life of the bonds.	(161,689)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the statement of activities.	2,685,000
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(913,894)
In the Statement of Activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.	
OPEB contributions in excess of the annual contributions are reported on the government-wide Statement of Net Position, and reduce pension expenses in the Statement of Activities.	43,360
Change in Net Position of Governmental Activities	<u>\$ 2,190,825</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 343,411
LIABILITIES	
Due to student groups	\$ 343,411

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Piedmont Unified School District (the District) was unified on July 1, 1936 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one middle school, one high school, one continuation school, and an adult school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Piedmont Unified School District, this includes general operations, food service, and student related activities of the District.

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 component units.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Revenue Fund for Other Than Capital Outlay Projects. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly, have been combined with the General Fund for presentation in these audited financial statements.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

In addition, under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund/Fund 14, Deferred Maintenance Fund do not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 11, Adult Education Fund/Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, liabilities, fund balances, revenues and expenditures of \$629,219, \$29,185, \$658,038, \$662,568, \$581,522, respectively.

Building Fund The Building 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.

County School Facilities Fund The County School Facilities 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), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) 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.).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is 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).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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. The District only has one fiduciary fund, which is an agency fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities, except for depreciation. 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 the 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset 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 result from special revenue funds and the restrictions on their net position use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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 is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2013, 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 investment pool is determined by the program sponsor.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 for equipment and \$15,000 for site improvements and buildings. The District does not possess any infrastructure. 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, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 50 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position, except for the net residual amounts due between governmental activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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 governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

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

Fund Balances - Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The District has a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position, net of 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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 column of the statement of activities, except for the net residual amounts transferred between governmental activities.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 1st 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 budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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 of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 14, 2012. Earlier implementation is encouraged. The District is currently evaluating the impact of this Statement on the financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of 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 inter-period equity, and creating additional transparency.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged. The District is currently evaluating the impact of this Statement on the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 11,905,045
Fiduciary funds	343,411
Total Deposits and Investments	<u>\$ 12,248,456</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 354,249
Cash in revolving fund	25,000
Investments	11,869,207
Total Deposits and Investments	<u>\$ 12,248,456</u>

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; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Sections 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term 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

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 purchasing a combination of shorter term and longer term investments by maintaining funds in the investment pool listed below. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	\$ 11,835,328	1.44

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 District's investments in the county pool are not required to be rated, nor have they been rated as of June 30, 2013.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. The District has no investments in any one issuer that represent five percent (5%) or more of the total investments that are required to be disclosed at June 30, 2013.

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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. 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, 2013, \$217,095 of the District's \$412,873 bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's custodial credit risk is limited as all funds were invested in the county investment pool.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 296,483	\$ -	\$ -	\$ -	\$ 940	\$ 297,423
State Government						
Apportionment	629,142	-	-	-	-	629,142
Categorical aid	261,829	-	-	-	-	261,829
Lottery	223,153	-	-	-	-	223,153
Other State	734,520	-	-	-	-	734,520
Local Government						
Interest	5,068	189	631	3,619	117	9,624
Other local sources	1,137,613	-	-	-	43,970	1,181,583
Total	<u>\$ 3,287,808</u>	<u>\$ 189</u>	<u>\$ 631</u>	<u>\$ 3,619</u>	<u>\$ 45,027</u>	<u>\$ 3,337,274</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 335,023	\$ -	\$ -	\$ 335,023
Construction in Progress	10,345,739	3,065,618	12,968,157	443,200
Total Capital Assets Not Being Depreciated	<u>10,680,762</u>	<u>3,065,618</u>	<u>12,968,157</u>	<u>778,223</u>
Capital Assets Being Depreciated:				
Land Improvements	4,727,164	51,885	-	4,779,049
Buildings and Improvements	78,413,453	13,758,248	-	92,171,701
Furniture and Equipment	808,837	-	-	808,837
Total Capital Assets Being Depreciated	<u>83,949,454</u>	<u>13,810,133</u>	<u>-</u>	<u>97,759,587</u>
Total Capital Assets	<u>94,630,216</u>	<u>16,875,751</u>	<u>12,968,157</u>	<u>98,537,810</u>
Less Accumulated Depreciation:				
Land Improvements	1,679,283	131,014	-	1,810,297
Buildings and Improvements	12,393,806	1,874,456	-	14,268,262
Furniture and Equipment	640,951	25,891	-	666,842
Total Accumulated Depreciation Governmental Activities Capital Assets, Net	<u>14,714,040</u>	<u>2,031,361</u>	<u>-</u>	<u>16,745,401</u>
	<u>\$ 79,916,176</u>	<u>\$ 14,844,390</u>	<u>\$ 12,968,157</u>	<u>\$ 81,792,409</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 1,354,309
Supervision of instruction	39,612
Instructional library, media, and technology	28,642
School site administration	127,569
Home-to-school transportation	3,656
Food services	9,344
All other pupil services	79,020
Ancillary	20,314
Data processing	109,084
All other general administration	16,454
Plant services	243,357
Total Depreciation Expenses Governmental Activities	<u>\$ 2,031,361</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivables and payable balances at June 30, 2013, between major and non-major governmental funds, are as follows:

Due To	Due From			Total
	General Fund	Building Fund	County School Facilities Fund	
General Fund	\$ -	\$ 192,615	\$ -	\$ 192,615
Building Fund	-	-	1,006,381	1,006,381
Non-Major Governmental Funds	18,000	-	-	18,000
Total	\$ 18,000	\$ 192,615	\$ 1,006,381	\$ 1,216,996

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Building Fund	
County School Facilities Fund	\$ -	\$ 2,850,000	\$ 2,850,000
Non-Major Governmental funds	50,000	-	50,000
Total	\$ 50,000	\$ 2,850,000	\$ 2,900,000

The Building Fund transferred to the County School Facilities Fund for the funding of Beach School	\$ 2,850,000
The General Fund transferred to the Special Reserve Capital Fund for the replacement costs for Witter Field and Witter Track	50,000
Total	<u>\$ 2,900,000</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,420,972	\$ 76,699	\$ 673,709	\$ 921	\$ 2,172,301
Salaries and benefits	102	-	-	-	102
Total	<u>\$ 1,591,498</u>	<u>\$ 76,699</u>	<u>\$ 673,709</u>	<u>\$ 921</u>	<u>\$ 2,342,827</u>

NOTE 7 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2012	Additions	Accretions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 68,842,245	\$ -	\$ 362,519	\$ 2,685,000	\$ 66,519,764	\$ 2,635,281
Bond anticipation notes	12,950,437	-	488,896	-	13,439,333	-
Subtotal	81,792,682	-	851,415	2,685,000	79,959,097	2,635,281
Bond premium, net	1,684,140	-	-	112,751	1,571,389	168,889
Accumulated vacation - net	158,599	-	-	20,152	138,447	-
Postemployment benefits obligation/(asset)	42,280	489,827	-	533,187	(1,080)	-
Total	<u>\$ 83,677,701</u>	<u>\$ 489,827</u>	<u>\$ 851,415</u>	<u>\$ 3,351,090</u>	<u>\$ 81,667,853</u>	<u>\$ 2,804,170</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation and postemployment benefit obligation are paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Accretions	Redeemed	Bonds Outstanding June 30, 2013
1/11/2005	8/1/2020	3.0-4.0%	\$ 18,415,000	\$ 13,615,000	\$ -	\$ 965,000	\$ 12,650,000
7/27/2006	8/1/2031	4.0-6.5%	\$ 14,999,934	16,212,245	362,519	255,000	16,319,764
10/14/2009	8/1/2034	1.0-5.0%	\$ 19,000,000	17,975,000	-	280,000	17,695,000
10/14/2009	8/1/2018	2.0-3.0%	\$ 13,145,000	11,040,000	-	1,185,000	9,855,000
4/20/2011	5/1/2026	5.75%	\$ 10,000,000	10,000,000	-	-	10,000,000
				<u>\$ 68,842,245</u>	<u>\$362,519</u>	<u>\$ 2,685,000</u>	<u>\$ 66,519,764</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Debt Service Requirements to Maturity

The bonds mature through fiscal year 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ 2,909,222	\$ 2,663,026	\$ 5,572,248
2015	3,137,265	2,601,365	5,738,630
2016	3,342,296	2,525,490	5,867,786
2017	3,885,000	2,245,432	6,130,432
2018	3,700,000	2,117,176	5,817,176
2019-2023	13,020,000	8,720,270	21,740,270
2024-2028	15,412,807	12,441,617	27,854,424
2029-2033	9,894,256	16,382,238	26,276,494
2034-2035	9,085,000	466,875	9,551,875
Total	<u>64,385,846</u>	<u>\$ 50,163,489</u>	<u>\$ 114,549,335</u>
Accretions to date	2,133,918		
Total	<u>\$ 66,519,764</u>		

Bond Anticipation Notes

In May 2010, the District issued \$11,997,665 of Bond Anticipation Notes to provide bridge financing for construction projects until the next General Obligation Bond is issued. The District is required to repay the notes, plus accreted interest, at a rate of 3.740 percent on May 1, 2015. The outstanding amount of the bond anticipation notes was \$13,439,333 at June 30, 2013.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$138,447.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Prepaid expenditures	24,846	-	-	-	-	24,846
Total Nonspendable	<u>49,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,846</u>
Restricted						
Legally restricted programs	19,216	-	-	-	5,033	24,249
Capital projects	-	305,250	2,746,068	-	387,129	3,438,447
Debt services	-	-	-	4,145,653	-	4,145,653
Total Restricted	<u>19,216</u>	<u>305,250</u>	<u>2,746,068</u>	<u>4,145,653</u>	<u>392,162</u>	<u>7,608,349</u>
Committed						
Educational programs	266,449	-	-	-	-	266,449
Deferred maintenance program	281,116	-	-	-	-	281,116
Cafeteria program	-	-	-	-	896	896
Total Committed	<u>547,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>896</u>	<u>548,461</u>
Assigned						
Other	823,330	-	-	-	-	823,330
Total Assigned	<u>823,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,330</u>
Unassigned						
Reserve for economic uncertainties	1,028,867	-	-	-	-	1,028,867
Remaining unassigned	2,865,485	-	-	-	-	2,865,485
Total Unassigned	<u>3,894,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,894,352</u>
Total	<u>\$ 5,334,309</u>	<u>\$ 305,250</u>	<u>\$ 2,746,068</u>	<u>\$ 4,145,653</u>	<u>\$ 393,058</u>	<u>\$ 12,924,338</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB OBLIGATION)

Plan Description

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by Piedmont Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the plan consists of 63 retirees and beneficiaries currently receiving benefits and 226 active plan members.

	<u>Certified</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
Duration of Benefits	To Medicare Age*	To Medicare Age**	To Medicare age***
Required Service	10 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	No	No*	No*
District Contribution %	100%	100%	100%
District Cap	Least costly single coverage	Least costly single coverage	Least costly single coverage

* Those hired prior to 7/1/01 may receive \$100 per month toward the cost of Medicare Supp coverage

** Those hired prior to 7/1/89 receive lifetime coverage and may cover dependents. Those hired after 7/1/89 and before 7/1/08 may receive \$100 per month toward Medicare Supp for number of years equal to length of service.

*** Those hired prior to 7/1/08 may receive \$150 per month toward Medicare Supp.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District’s bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District’s bargaining units and the unrepresented groups. For fiscal year 2012-13 the Annual Required Contribution was \$490,654 and the District contributed \$533,187 to the plan, all of which was used for current premiums (approximately 109 percent of current year’s annual required contributions).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Annual OPEB Cost and Net OPEB Asset/Obligation

The District’s annual other postemployment benefit (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 asset to the Plan:

Annual required contribution	\$ 490,654
Interest on net OPEB obligation	2,114
Adjustment to annual required contribution	<u>(2,941)</u>
Annual OPEB cost (expense)	489,827
Contributions made	<u>(533,187)</u>
Decrease in net OPEB obligation	(43,360)
Net OPEB obligation, beginning of year	42,280
Net OPEB asset, end of year	<u><u>\$ (1,080)</u></u>

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation was as follows:

Year Ended June 30	Actual Contribution	Annual OPEB Cost	Percentage Contributed	Net OPEB (Asset)/Obligation
2011	\$ 353,083	\$ 393,526	90%	\$ (2,029)
2012	446,345	490,654	91%	42,280
2013	533,187	489,827	109%	(1,080)

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 the 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Actuarial Methods and Assumptions

Projection 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 the 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 September 1, 2011, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was four percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a three percent annual increase in payroll. The remaining amortization period at July 1, 2013, was 26 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets and retiree benefits are paid annually on a cash basis.

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. During fiscal year ending June 30, 2013, the District contracted with Alameda County Schools Insurance Group (ACSIG) JPA for property and liability insurance coverage. Extended property and liability coverage was provided by NorCal Relief. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013, the District participated in the ACSIG, an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Coverage provided by ACSIG, NorCal Relief and Schools Association for Excess Risk (SAFER) for property and liability and workers' compensation is as follows:

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Alameda County Schools Insurance Group (ACSIG)	2163758	Statutory Limit
<u>Excess Property and Liability Program</u>		
NorCal Relief	Property	\$25,000 - \$275,000
NorCal Relief	Liability	\$25,000 - \$1,025,000
<u>Property and Liability Program</u>		
Schools Association For Excess Risk (SAFER)	Excess Property	\$5,250,000 - \$250,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	\$5,000,000 - \$25,000,000

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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).

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, annual cost-of-living adjustments, 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary 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 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012 and 2011, were \$1,242,104, \$1,200,819, and \$1,136,771, respectively, and equal 100 percent of the required contributions for each year.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 survivor 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, California 95811.

Funding Policy

Active plan members are required to contribute seven percent of their salary 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$513,200, \$483,401, and \$473,133, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$732,241 (5.176 percent of 2010-11 creditable compensation subject to STRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.) Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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, 2013.

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, 2013.

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Wildwood Elementary School Playground	<u>\$ 200,000</u>	August, 2013

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Alameda County Schools Insurance Group, public entity risk pool. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationship between the District, and the JPA is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District is included in these statements. Audited financial statements are generally available from the entity.

During the year ended June 30, 2013, the District made payments of \$501,415 to Alameda County Schools Insurance Group for workers' compensation, property, and liability insurance coverage.

NOTE 14 - SUBSEQUENT EVENT

On August 7, 2013, the District issued \$11,998,678 of General Obligation Bonds Election of 2006, Series E with accretion rate ranging from 5.28 percent to 10.15 percent. The Bonds were issued to refinance the District's 2010 General Obligation Bond Anticipation Notes, which was issued to finance educational projects. The final payment is due and payable on August 1, 2043.

REQUIRED SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts			Variances -
	Original	Final	Actual	Positive
				(Negative)
				Final
				to Actual
REVENUES				
Revenue limit sources	\$ 12,967,066	\$ 13,558,297	\$ 13,558,297	\$ -
Federal sources	671,341	792,965	792,965	-
Other State sources	2,227,787	2,432,955	2,432,955	-
Other local sources	12,685,156	13,782,993	13,782,993	-
Total Revenues¹	28,551,350	30,567,210	30,567,210	-
EXPENDITURES				
Current				
Certificated salaries	15,449,890	15,365,891	15,365,891	-
Classified salaries	4,843,935	4,615,981	4,615,981	-
Employee benefits	6,721,035	6,557,093	6,557,093	-
Books and supplies	882,155	1,245,799	1,245,799	-
Services and operating expenditures	2,537,115	3,159,251	3,159,251	-
Total Expenditures¹	30,434,130	30,944,015	30,944,015	-
Excess (Deficiency) of Revenues				
Over Expenditures	(1,882,780)	(376,805)	(376,805)	-
Other Financing Sources (Uses):				
Transfers in	245,600	244,343	244,343	-
Transfers out	(20,000)	(50,000)	(50,000)	-
Net Financing Sources (Uses)	225,600	194,343	194,343	-
NET CHANGE IN FUND BALANCES	(1,657,180)	(182,462)	(182,462)	-
Fund Balance - Beginning	4,858,736	4,858,736	4,858,736	-
Fund Balance - Ending	\$ 3,201,556	\$ 4,676,274	\$ 4,676,274	\$ -

¹ On behalf payments of \$732,241 are excluded from this schedule. In addition, activities related to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are also excluded from this schedule.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
April 1, 2009	\$ -	\$ 4,249,446	\$ 4,249,446	-	\$ 19,628,924	22%
September 1, 2011	-	5,250,572	5,250,572	-	20,361,903	26%

SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I - Part A, Basic Grants Low Income and Neglected	84.010	14981	\$ 86,476
Title II - Part A, Improving Teacher Quality	84.367	14341	28,358
Title III - Limited English Proficiency (LEP) Student Program	84.365	10084	7,407
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	519,063
Preschool Local Entitlement Part B, Sec 611	84.027A	13682	14,700
Preschool Grants Part B, Sec 619	84.173	13430	8,439
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	125,386
Early Intervention Program, Part C	84.181	23761	<u>3,136</u>
Total U.S. Department of Education			<u>792,965</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Special Milk Program for Children	10.556	13392	<u>3,538</u>
Total U.S. Department of Agriculture			<u>3,538</u>
Total Expenditures of Federal Awards			<u>\$ 796,503</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

The Piedmont Unified School District was established July 1, 1936, and consists of an area comprising approximately 1.7 square miles. The District operates three elementary schools, one middle school, one high school, one continuation school, and an adult school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Richard Raushenbush	President	2016
Andrea Swenson	Vice President	2016
Sarah Pearson	Member	2016
Roy Tolles	Member	2014
Ray Gadbois	Member	2014

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Constance Hubbard	Superintendent
Michael Brady	Assistant Superintendent, Business
Michelle Nguyen	Director, Fiscal Services

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Second Period Report</u>	<u>Amended Annual Report</u>
ELEMENTARY		
Kindergarten	174	175
First through third	545	549
Fourth through sixth	599	601
Seventh and eighth	398	398
Special education	2	2
Total Elementary	<u>1,718</u>	<u>1,725</u>
SECONDARY		
Regular classes	719	717
Continuation education	67	68
Special education	6	7
Total Secondary	<u>792</u>	<u>792</u>
Total K-12	<u><u>2,510</u></u>	<u><u>2,517</u></u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2012-13 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	30,625	29,774	36,000	35,000	35,875	179	In Compliance
Grades 1 - 3							
Grade 1	40,619	39,491	50,400	49,000	50,850	179	In Compliance
Grade 2	40,619	39,491	50,400	49,000	50,850	179	In Compliance
Grade 3	40,619	39,491	50,400	49,000	51,435	179	In Compliance
Grades 4 - 6							
Grade 4	49,019	47,657	54,000	52,500	52,775	179	In Compliance
Grade 5	49,019	47,657	54,000	52,500	52,775	179	In Compliance
Grade 6	49,019	47,657	54,000	52,500	66,360	179	In Compliance
Grades 7 - 8							
Grade 7	63,486	61,723	54,000	52,500	66,360	179	In Compliance
Grade 8	63,486	61,723	54,000	52,500	66,360	179	In Compliance
Grades 9 - 12							
Grade 9	63,355	61,595	64,800	63,000	65,800	179	In Compliance
Grade 10	63,355	61,595	64,800	63,000	65,800	179	In Compliance
Grade 11	63,355	61,595	64,800	63,000	65,800	179	In Compliance
Grade 12	63,355	61,595	64,800	63,000	65,800	179	In Compliance

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Summarized below are the reconciliations between the Unaudited Actual Financial Report Supplemental Form Asset and Form Debt and the audited financial statements.

FORM ASSET

Total Capital Assets, June 30, 2013, Unaudited Actuals	\$ 81,787,229
Increase in:	
Accumulated depreciation - Furniture & Equipment	5,180
Total Capital Assets, June 30, 2013, Audited Financial Statement	<u>\$ 81,792,409</u>

FORM DEBT

Total Long-Term Liabilities, June 30, 2013, Unaudited Actuals	\$ 81,672,755
Decrease in:	
OPEB obligation	(1,080)
General Obligation Bonds	(3,822)
Total Long-Term Liabilities, June 30, 2013, Audited Financial Statement	<u>\$ 81,667,853</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	(Budget)			
	2014 ¹	2013 ¹	2012 ¹	2011 ¹
GENERAL FUND				
Revenues ³	\$ 31,494,131	\$ 30,567,210	\$ 31,201,514	\$ 31,478,494
Other sources and transfers in	138	244,343	-	-
Total Revenues and Other Sources	<u>31,494,269</u>	<u>30,811,553</u>	<u>31,201,514</u>	<u>31,478,494</u>
Expenditures ³	32,168,320	30,944,015	30,218,161	29,859,789
Other uses and transfers out	430,693	50,000	48,476	200,000
Total Expenditures and Other Uses	<u>32,599,013</u>	<u>30,994,015</u>	<u>30,266,637</u>	<u>30,059,789</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (1,104,744)</u>	<u>\$ (182,462)</u>	<u>\$ 1,418,705</u>	<u>\$ 1,418,705</u>
ENDING FUND BALANCE	<u>\$ 3,571,530</u>	<u>\$ 4,676,274</u>	<u>\$ 4,745,188</u>	<u>\$ 2,994,046</u>
AVAILABLE RESERVES ²	<u>\$ 3,563,262</u>	<u>\$ 3,795,305</u>	<u>\$ 4,148,687</u>	<u>\$ 3,049,409</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>10.93%</u>	<u>12.54%</u>	<u>14.08%</u>	<u>10.37%</u>
LONG-TERM DEBT	<u>\$ 78,864,763</u>	<u>81,668,933</u>	<u>\$ 83,677,701</u>	<u>\$ 85,469,212</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>2,538</u>	<u>2,510</u>	<u>2,458</u>	<u>2,479</u>

The General Fund balance has increased by \$1,682,228 over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$1,104,744 (24 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in current year and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by \$3,800,279 over the past two years.

Average daily attendance has increased by 31 over the past two years. An increase of 28 ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit. Current and prior years' actual columns only include General fund information.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On-behalf payments of \$732,241, \$720,995, and \$603,703, have been excluded from the calculation of available reserves for fiscal years ended June 30, 2013, 2012, and 2011. In addition, due to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund per GASB 54, additional revenues of \$662,568 and expenditures of \$581,522 pertaining to these funds are also not included in the actual (GAAP Basic) nor the budget columns.

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	<u>Cafeteria Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Deposits and investments	\$ 9,943	\$ 357,009	\$ 366,952
Receivables	14,410	30,617	45,027
Total Assets	<u>\$ 24,353</u>	<u>\$ 387,626</u>	<u>\$ 411,979</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	424	497	921
Due to other funds	18,000	-	18,000
Total Liabilities	<u>18,424</u>	<u>497</u>	<u>18,921</u>
Fund Balances:			
Restricted	5,033	387,129	392,162
Committed	896	-	896
Total Fund Balance	<u>5,929</u>	<u>387,129</u>	<u>393,058</u>
Total Liabilities and Fund Balances	<u>\$ 24,353</u>	<u>\$ 387,626</u>	<u>\$ 411,979</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	Cafeteria Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES			
Federal sources	\$ 3,538	\$ -	\$ 3,538
Other local sources	143,858	67,746	211,604
Total Revenues	147,396	67,746	215,142
EXPENDITURES			
Current			
Pupil services:			
Food services	150,597	-	150,597
Plant services	-	16,072	16,072
Facility acquisition and construction	-	9,058	9,058
Total Expenditures	150,597	25,130	175,727
Excess (Deficiency) of Revenues Over Expenditures	(3,201)	42,616	39,415
Other Financing Sources (Uses):			
Transfers in	-	50,000	50,000
Net Financing Sources (Uses)	-	50,000	50,000
NET CHANGE IN FUND BALANCES	(3,201)	92,616	89,415
Fund Balance - Beginning	9,130	294,513	303,643
Fund Balance - Ending	\$ 5,929	\$ 387,129	\$ 393,058

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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 following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of federal revenue received but not required to be reported on Schedule of Expenditures of Federal Awards.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,299,622
Federal interest reimbursement of Quality School Construction Bonds	N/A	<u>(503,119)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 796,503</u>

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.

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED) JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)

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 Unaudited Actual Financial Report to the audited financial statements.

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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITORS' REPORTS



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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**INDEPENDENT AUDITORS' 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***

Governing Board
Piedmont Unified School District
Piedmont, 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 Piedmont Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Piedmont Unified School District's basic financial statements, and have issued our report thereon dated November 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Piedmont 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 Piedmont Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Piedmont 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Piedmont Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-3 and 2013-4.

Piedmont Unified School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinek, Trine, Day & Co., LLP

Pleasanton, California
November 29, 2013



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Piedmont Unified School District
Piedmont, California

Report on Compliance for Each Major Federal Program

We have audited Piedmont 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 Piedmont Unified School District's (the District) major Federal program for the year ended June 30, 2013. Piedmont Unified School District's major Federal program is 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 the District's major Federal program 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 the 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 for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Piedmont 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 the 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.

Varrinek, Trine, Day & Co., LLP

Pleasanton, California
November 29, 2013



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Piedmont Unified School District
Piedmont, California

Report on State Compliance

We have audited Piedmont Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of the applicable to Piedmont Unified School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Piedmont Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Piedmont Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Piedmont Unified School District's compliance with those requirements.

Opinion

In our opinion, Piedmont Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes, see below
Continuation Education	10	Yes, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

We did not perform step 4 for Independent Study because there is no Average Daily Attendance generated through full-time independent study. Additionally, we did not perform steps 8 through 10 because there were no continuation pupils enrolled in work experience education.

Varrinek, Trine, Day & Co., LLP

Pleasanton, California
November 29, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

The following findings, represent significant deficiencies, related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2013-1 ASSOCIATED STUDENT BODY (30000)

Criteria or Specific Requirements

Associated Student Body (ASB) funds are subject to greater loss due to the nature of the transactions being primarily cash and due to the decentralization of the accounting process. Strong internal controls over financial reporting of the ASB cash disbursement procedures include maintaining adequate evidence supporting the approval process. Strong internal controls also include segregation of duties. Segregation of duties enhances the ability to safeguard assets by providing a system that is designed to prevent or detect errors or misappropriation of funds.

Condition

Significant Deficiency - During the audit of the ASB accounts at Piedmont High School and Millennium Continuation High School, we noted conditions indicating that segregation of duties is limited in some instances, and that operating controls are not functioning at their optimum levels. In particular, we noted the following:

Piedmont High School

- Pre-numbered receipts or an alternate tracking system was not used for tracking cash receipts collected by club advisors from parents and students,
- 2 out of 28 disbursements reviewed did not have the required three approving signatures on the disbursement requests,
- No ticket inventory log is prepared and maintained,
- 13 out of 28 disbursements for goods did not have receiving documents,
- 3 clubs had negative cash balances as of 6/30/2013 ranging from \$167 to \$5,948,
- 1 out of 3 ticket sales reports reviewed was not prepared mathematically accurately,
- There are 17 stale dated checks outstanding for more than one year dated as far as 3/17/2011,
- 5 out of 28 disbursements reviewed were for payments made to the District office for registration fees collected on the behalf of the District, which indicated co-mingling District funds with ASB funds.

Millennium Continuation High School

- None of the bank reconciliations reviewed were properly prepared and there was missing evidence of a secondary review on the reconciliation,
- 2 out of 6 pre-numbered receipts reviewed did not document the day of receipts and only the year and month is present,
- 2 out of 9 disbursements reviewed had no supporting documentation including missing receiving evidence.

Questioned costs

There are no questioned costs associated with above condition.

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Context

All ASB cash receipts and disbursements processed at Piedmont High School, and Millennium Continuation High School.

Effect

Without properly designed internal controls in all phases of ASB activities, opportunities exist for the intentional misuse of student funds that may go undetected.

Cause

Maintaining a documentation trail that includes proper cash receipting, disbursement approvals and supporting documentation was not operating as intended. In addition, there appears to be a lack of segregation of duties over the cash disbursement process.

Recommendation

While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of ASB transactions, a mitigating control that may assist in limiting the opportunities for errors or intentional misappropriation of student funds would be to have a second individual perform a monthly review of the checkbook activity and bank reconciliations and to document that review by initialing the bank reconciliations. The District should also ensure that policies and procedures over cash disbursements are implemented at all sites.

Corrective Action Plan

The District concurs with the audit finding, and notes the following:

- With respect to disbursements, the District feels that a minimum of two approving signatures is more than reasonable, though three signatures were provided for 26 of 28 disbursements

- While three (3) clubs had negative cash balances, the total ASB account had significant surpluses and remained solvent throughout the year. The single largest negative cash balance (\$5,948) represents the costs of stipends for the management of all ASB accounts and should not be considered a “club” expenditure

The District will follow the recommendation to provide a second individual to perform reconciliations on a monthly basis

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

2013-2 JOURNAL ENTRY (30000)

Criteria or Specific Requirements

Effective internal controls over accounting systems include having written policies and procedures in place and include requiring approval evidence and supporting documents for all transactions.

Condition

Significant Deficiency – Out of the 15 journal entries selected for testing, some of them were missing the backup documentation due to misfiling.

Questioned costs

There are no questioned costs associated with above condition.

Context

Our review of the journal entry process revealed the condition noted above

Effect

Errors of the financial statement information in the system could go undetected.

Cause

There were ineffective controls in the filing procedures over journal entries. During the year, the District had different people including temporary help in handling the filing of journal entries.

Recommendation

In order to safeguard the correctness/appropriateness of the journal entries, we recommend that the District evaluate its existing filing procedures over journal entries. The District should ensure that all journal entries are properly supported by backup documents.

Corrective Action Plan

The District will designate one staff member to handle filing. With this change being implemented, the problem of misfiling and missing backups will be eliminated.

PIEDMONT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

2013-3 INDEPENDENT STUDY (10000, 40000)

Criteria or Specific Requirements

It is the responsibility of the School to ensure that independent study agreement is filled out properly and meets the required written elements per Ed code 51747C, particularly on obtaining the signatures from the involved parties before the beginning of the independent study.

Condition

Significant Deficiency, Instance of Non Compliance - During the site visit at Havens Elementary School, it was noted that some independent study agreements were incomplete or not completed properly.

- 2 out of 6 independent study agreements reviewed revealed that the agreements were signed by the involved parties after the start of the independent study.
- 2 out of 6 independent study agreements reviewed revealed that the students did not date the agreements.

Questioned Costs

\$4,595.81 (0.68 ADA claimed from independent study programs at the above referenced site times based revenue limit of \$6,758.55).

Context

Our testing of attendance at the site revealed the above condition.

Effect

There were reporting errors and disallowable attendance apportionments claimed from independent study. The second period report of attendance was overstated by the 0.68 ADA.

Cause

There was insufficient review and monitoring procedures on the completion of independent study agreements.

Recommendation

We recommend that the District communicate the existing policies and procedures on independent study program to school personnel and provide necessary training at least annually to ensure completion of the independent study agreements.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Corrective Action Plan

The District concurs with the audit finding. The site administrator will review each and every Independent Study agreement. Those agreements that do not meet all criteria will be rejected and no ADA will be reported. Monthly attendance reports from Havens should exclude all Independent Study hours except those with confirmed, signed agreements that meet all criteria for submittal.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2013-4 ATTENDANCE REPORTING (10000, 40000)

Criteria or Specific Requirements

Per Education Code Section 46303, it is the District's responsibility to ensure that the attendance report is prepared correctly.

Condition

Significant Deficiency - The annual attendance report did not agree to the supporting documentation.

- The ADA reported on the original annual attendance report for Extended Year Special Education (A-14) and Extended Year Special Ed - Nonpublic Nonsectarian School (A-15) did not agree to the supporting documentation. The original annual attendance report was understated by 4.24 ADA.
- The ADA reported on the revised annual attendance report dated October 4, 2013 for Special Ed - Nonpublic, Nonsectarian Schools (A-10), Extended Year Special Education (A-14) and Extended Year Special Ed - Nonpublic Nonsectarian School (A-15) did not agree to the supporting documentation. The revised annual attendance report was understated by 4.63 ADA.

Questioned costs

No questioned costs associated with this condition as the ADA reported on the latest revised annual attendance report dated October 8, 2013 agrees with the supporting documentation.

Context

The discrepancy was revealed when comparing the District's annual attendance reports to the supporting documentation.

Effect

ADA reported on the original and first revised annual attendance report was understated.

Cause

The District did not have sufficient internal controls and procedures in place to ensure that the attendance report prepared by the District agrees to the supporting documentation.

Recommendation

We recommend the District implement new procedures to amend the above condition and to ensure that the attendance reports are prepared based on the supporting documentation.

Corrective Action Plan

The District concurs with the audit finding. The District's understated report was a typographical error, and a revision of the spreadsheet used to enter attendance information for Special Education students has been completed. The District wishes to thank the audit team for its thorough and careful review of the support documentation provided, and for drawing the error to the District's attention.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2012-1 Internal Control – Associated Student Body - 30000 *Significant Deficiency*

Criteria or Specific Requirements

Associated Student Body (ASB) funds are subject to greater loss due to the nature of the transactions being primarily cash and due to the decentralization of the accounting process. Strong internal controls over financial reporting of the ASB cash disbursement procedures include maintaining adequate evidence supporting the approval process. Strong internal controls also include segregation of duties. Segregation of duties enhances the ability to safeguard assets by providing a system that is designed to prevent or detect errors or misappropriation of funds.

Condition

During the audit of the ASB accounts at Piedmont Middle School and Millennium Continuation High School, we noted conditions indicating that segregation of duties is limited in some instances, and that operating controls are not functioning at their optimum levels. In particular, we noted the following:

Piedmont Middle School

- Pre-numbered receipts or an alternate tracking system is not used for tracking cash receipts,
- 4 out of 4 disbursements reviewed did not have evidence of approval in ASB minutes,
- 2 out of 3 fundraisers did not have evidence of approval in the ASB minutes,
- 2 out of 3 fundraisers did not have a revenue potential form completed,
- 1 year-round fundraiser did not have a summary report to track cash received,
- 1 out of 3 disbursements for goods did not have receiving documents,
- 1 out of 3 fundraisers had an incident where a total amount of \$1,000 was collected but only \$885 was deposited. The difference of \$115 was missing,
- 2 out of 2 ticketed events did not have a ticket log maintained.

Millennium Continuation High School

- None of the bank reconciliations reviewed were properly prepared and there was missing evidence of a secondary review on the reconciliation,
- 1 monthly cash receipt reviewed did not reconcile to the monthly deposit by \$810,
- 1 out of 7 disbursements reviewed had no supporting document attached and the documentation was not able to be located during our visit,
- 3 out of 7 checks were not clearly readable to verify whether or not they were signed by the proper signors,
- 3 out of 7 transactions were advance payment and resulted in \$181 overpayment, which was stored in an envelope located in a binder instead of being deposited in the bank or a secure location.

Questioned costs

None

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Context

All ASB cash receipts and disbursements processed at Piedmont Middle School, Piedmont High School, and Millennium Continuation High School.

Effect

Without properly designed internal controls in all phases of ASB activities, opportunities exist for the intentional misuse of student funds that may go undetected.

Cause

Maintaining a documentation trail that includes proper cash receipting, disbursement approvals and supporting documentation was not operating as intended. In addition, there appears to be a lack of segregation of duties over the cash disbursement process.

Recommendation

While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of ASB transactions, a mitigating control that may assist in limiting the opportunities for errors or intentional misappropriation of student funds would be to have a second individual perform a monthly review of the checkbook activity and bank reconciliations and to document that review by initialing the bank reconciliations. The District should also ensure that policies and procedures over cash disbursements are implemented at all sites.

Current Status

Partially implemented; see current year finding 2013-1.

2012-2 Internal Control – Capital Asset - 30000 Significant Deficiency

Criteria or Specific Requirements

Capital assets represent one of the largest investments of a Local Education Agency (LEA); as such control and accountability are of significant concern. Generally accepted accounting principles regarding internal controls, Education Code Section 35168, and federal funding agencies require LEA's to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have important bearing on management decisions, such as long-range acquisition and abandonment projections. The need for data on capital assets is important regardless of the size of the LEA.

Condition

The Work In Progress (WIP) report that was provided included the following errors:

- The report did not include approximately \$8 million dollars because the report only included fund 21 (Building Fund) instead of both fund 21 and fund 35 (State School Facilities Fund)
- The amount capitalized for Wildwood Elementary School was deemed incorrect,
- Prior year accumulated depreciation amounts were deleted and only current year depreciation amounts were recorded. As a result, the beginning balance for accumulated depreciation did not agree to prior year audited financial statement.
- There was no evidence of review of the WIP schedule.

Questioned costs

None

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Context

Our review of the capital asset revealed the condition noted above

Effect

- Difficulty in accounting for and controlling all assets under their care.
- Difficulty in determining insurable values and securing insurance appraisals.
- Difficulty to substantiate loss in the event of fire, theft, or other catastrophe.

Cause

Staff did not receive adequate training to maintain the fixed asset schedule.

Recommendation

We recommend the District provide sufficient staffing and adequate training to maintain the capital asset schedule or assign the responsibility to an experienced staff member.

Current Status

Implemented