

PIEDMONT UNIFIED SCHOOL DISTRICT

MEASURE E
2006 GENERAL OBLIGATION BONDS
FINANCIAL AUDIT

JUNE 30, 2013

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

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JUNE 30, 2013**

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INDEPENDENT AUDITORS' REPORT

Governing Board and
the Citizens' Oversight Committee
Piedmont Unified School District
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Piedmont Unified School District (the District), Building Fund and County School Facility Fund (Measure E, 2006 General Obligation Bonds) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

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

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

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 Building Fund and County School Facility Fund (Measure E, 2006 General Obligation Bonds) of the Piedmont Unified School District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Building Fund and County School Facility Fund specific to Measure E, 2006 General Obligation Bonds, and are not intended to present fairly the financial position and changes in financial position of Piedmont Unified School District in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of the District Building and County School Facility Funds' (Measure E, 2006 General Obligation Bonds) 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 the 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 the District's Building Fund and County School Facility Fund's (Measure E, 2006 General Obligation Bonds) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinek, Trine, Day & Co., LLP

Pleasanton, California
February 13, 2014

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**BALANCE SHEET
JUNE 30, 2013**

ASSETS

Investments	\$ 3,608,291
Accounts receivable	820
Due from other funds	<u>192,615</u>
Total Assets	<u><u>\$ 3,801,726</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ <u>750,408</u>
Total Liabilities	<u>750,408</u>

FUND BALANCES

Restricted	<u>3,051,318</u>
Total Fund Balances	<u>3,051,318</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,801,726</u></u>

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

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

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

REVENUES	
Interest income	\$ 11,125
State revenue	2,995,026
Other local revenue	10,288
Total Revenues	<u>3,016,439</u>
 EXPENDITURES	
Current expenditures	
Books and supplies *	326,986
Services and operating expenditures *	964,051
Capital outlay	
Buildings and improvements	3,174,993
Sites and improvements	12,428
Total Expenditures	<u>4,478,458</u>
 NET CHANGE IN FUND BALANCES	 (1,462,019)
 FUND BALANCE - BEGINNING	 <u>4,513,337</u>
FUND BALANCE - ENDING	<u><u>\$ 3,051,318</u></u>

*Expenditure titles as defined by California Standard Account Code Structure

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

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Piedmont Unified School District Measure E conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Piedmont Unified School District Building Fund and County School Facilities Fund account for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund and County School Facilities Fund of the Piedmont Unified School District used to account for Measure E projects. These Funds were established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2006. These financial statements are not intended to present fairly the financial position and results of operations of the Piedmont Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund and County School Facilities Fund (Measure E) are accounted for in a separate set of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund and County School Facilities Fund (Measure E) are accounted for using a 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Revenues –Non-Exchange Transactions Non-exchange transactions, in which the District receives value without directly giving equal value in return, include interest. 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 general long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures.

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

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 the County are determined by the program sponsors.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balances - Governmental Funds

As of June 30, 2013, fund balances for 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. The Measure E funds currently does not have any nonspendable funds.

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 ordinances or resolutions approved by the governing board. The Measure E funds currently does not have any committed funds.

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 may assign amounts for specific purposes. The Measure E funds currently does not have any assigned funds.

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Unassigned – all other spendable amounts. The Measure E funds currently does not have any unassigned funds.

Spending Order

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.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

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 instrument; 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 agreement; 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* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - INVESTMENTS (continued)

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
County Pooled Investment Funds	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 is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District's investment with the Alameda County Investment Pool is \$3,608,291 as of June 30, 2013. The fair value of these investments is approximately \$3,597,991 with an average maturity of 525 days.

NOTE 3 - ACCOUNTS RECEIVABLE

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

Interest	<u><u>\$ 820</u></u>
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NOTE 4 - ACCOUNTS PAYABLE

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

Vendors payable	<u><u>\$ 750,408</u></u>
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NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable balance at June 30, 2013 consisted of the following:

The General Fund transferred to the Building Fund representing total Beach Parent donations	<u><u>\$ 192,615</u></u>
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**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 - COMMITMENTS AND CONTINGENCIES

At June 30, 2013, the Building Fund and County School Facilities Fund (Measure E) had the following commitment with respect to an unfinished capital project:

2006 General Obligation Bond	Remaining Construction Commitment	Expected Date of Completion
Wildwood Elementary School roof	<u>\$ 200,000</u>	08/01/13

Litigation

The District is involved from time to time 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.

NOTE 7 - SUBSEQUENT EVENT

On August 7, 2013, the District issued \$11,998,678 of General Obligation Bonds Election of 2006, Series E with accretion rates ranging from 5.28 percent to 10.15 percent. The issuance of bonds is pursuant to the District's 2006 General Obligation bond authorization, for the purpose of refinancing the outstanding 2010 General Obligation Bond Anticipation Notes, which was to finance educational projects. The final payment is due and payable on August 1, 2043.

INDEPENDENT AUDITORS' REPORT



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

VALUE THE DIFFERENCE

**INDEPENDENT AUDITOR'S 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 and
the Citizens' Oversight Committee
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 accompanying financial statements of the Piedmont Unified School District (the District) Building Fund and County School Facility Fund (Measure E, 2006 General Obligation Bonds), and the related notes of the financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated February 13, 2014.

As discussed in Note 1, the financial statements present only the Building Fund and County School Facility Fund specific to Measure E, 2006 General Obligation Bonds and are not intended to present fairly the financial position and changes in financial position of Piedmont Unified School District in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District Building and County School Facility Funds' (Measure E, 2006 General Obligation Bonds) 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 the District Building and County School Facility Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the District Building and County School Facility Funds' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

VarrineK, Trine, Day & Co., LLP

Pleasanton, California
February 13, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2013**

None reported.

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E - 2006 GENERAL OBLIGATION BONDS**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013**

None reported.