

**PIEDMONT UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2014**

PIEDMONT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S 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, 2014, 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 2013-2014*, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Piedmont Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and the General Fund -Budgetary Comparison Schedule and Schedule of Other Post Employment Benefits (OPEB) Funding Progress, 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 accompanying supplementary information such as the Combining Statements - 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 accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, 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.

Vavrinek, Ture, Day & Co LLP

Pleasanton, California
December 15, 2014

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This section of Piedmont Unified School District's (the District) 2014 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. 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, 2014

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, 2014

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$13,825,675, and \$12,931,144 for the fiscal years ended June 30, 2014 and 2013, respectively. Of this amount, \$4,490,656 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	
	2014	2013
Current and other assets	\$ 14,050,489	\$ 16,082,024
Capital assets	81,981,274	81,792,409
Total Assets	<u>96,031,763</u>	<u>97,874,433</u>
Current liabilities	2,460,915	6,078,526
Long-term liabilities	79,745,173	78,864,763
Total Liabilities	<u>82,206,088</u>	<u>84,943,289</u>
Net position		
Net investment capital assets	2,388,827	1,380,952
Restricted	6,946,192	6,371,570
Unrestricted	4,490,656	5,178,622
Total Net Position	<u>\$ 13,825,675</u>	<u>\$ 12,931,144</u>

The \$4,490,656 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, 2014

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	
	2014	2013
Program revenues		
Charges for services	\$ -	\$ 150
Operating grants and contributions	2,923,551	2,841,769
Capital grants and contributions	855,015	2,995,026
General revenues:		
Federal and State aid	8,709,308	7,863,285
Property taxes	23,304,624	22,242,134
Other general revenues	6,078,804	4,802,355
Total Revenues	41,871,302	40,744,719
Expenses		
Instruction related	29,185,252	27,400,764
Student support services	1,723,764	1,585,272
Administration	2,172,455	2,161,149
Maintenance and operations	3,423,533	3,474,811
Other	3,657,988	3,931,898
Total Expenses	40,162,992	38,553,894
Change in Net Position	\$ 1,708,310	\$ 2,190,825

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$40,162,992. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$23.4 million because the cost was paid by those who benefited from the programs, (\$0) or by other governments and organizations who subsidized certain programs with grants and contributions (\$3.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$8.7 million 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, 2014

Table 3

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 25,902,199	\$ 24,025,426	\$ 22,292,628	\$ 18,829,701
Instruction related activities	3,283,053	3,375,338	3,236,053	3,339,504
Pupil services	1,723,764	1,585,272	1,706,358	1,553,781
General administration	2,172,455	2,161,149	2,171,173	2,159,680
Plant services	3,423,533	3,474,811	3,320,226	3,461,343
Other	3,657,988	3,931,898	3,657,988	3,372,940
Totals	\$ 40,162,992	\$ 38,553,894	\$ 36,384,426	\$ 32,716,949

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$12,488,437 which is a decrease of \$435,901 from last year.

The primary reasons for the changes between 2013 and 2014 are:

- 1) One-time funding such as Common Core State Standards, donations for chrome books, music, and Fall Festival programs.
- 2) New funding for Proposition 39, Clean Energy Jobs Act.
- 3) No transfer in from Parcel Tax Reserve Fund to General Fund.
- 4) * Adult Education Fund has one-time funding for AB86, AE Consortium program and donations for Education Speaker Series.
- 5) Capital Facilities Fund has one-time donation from APCP to repair the Alan Harvey theatre.

*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 2014. 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 48.

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 \$1,913,008, of which \$871,953 from Local Control Funding Formula, federal, and state revenues, and the remaining from local revenues (Parents, Piedmont Educational Foundation, and other support groups' contributions for chrome books, 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, 2014

The District originally projected a decrease in the general fund of \$1,045,473 and the actual net change in fund balance is a decrease of \$302,957. Although revenues were \$1,913,008 more than originally projected, expenditures were \$789,884 more than originally projected. Also, the District transferred \$95,229 to Deferred Maintenance Fund and \$285,463 to Adult Education Fund. The District monitored expenditures closely to be able to continue providing all programs.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$81,981,274 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 \$187,865 from last year due to different projects of renovating the roof, building playground structure, and repairing the Alan Harvey theater.

Table 4

	Governmental Activities	
	2014	2013
Land and improvements	\$ 3,604,219	\$ 3,303,775
Buildings and improvements	76,367,991	77,903,439
Furniture and equipment	110,925	141,995
Construction in progress	1,898,139	443,200
Totals	\$ 81,981,274	\$ 81,792,409

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 \$79,745,173 of long term debt outstanding versus \$81,667,853 last year, a decrease of 2.4 percent. The long term obligations outstanding consisted of:

Table 5

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 76,607,835	\$ 66,519,764
Bond anticipation notes	-	13,439,333
General obligation bond premiums	2,984,612	1,571,389
Accumulated vacation	142,531	138,447
Postemployment benefits	10,195	(1,080)
Totals	\$ 79,745,173	\$ 81,667,853

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

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 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 \$3.5 million for 2013-14.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2014-15 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 FMAC per ACOE's advice.
2. ADA increases from 2538 to 2550.
3. On-going revenue for Mandate Block Grant (approx. \$92K).
4. On-going revenue for Prop 39, Clean Energy Jobs Act.
5. Increase 2% in levy of School Support Tax.
6. Donations for two portables (\$122K).
7. Donations for chrome books, music and other programs from support groups.
8. Transfer out \$190K to Deferred Maintenance Fund.
9. Transfer out \$285K to Adult Education Fund.

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, 2014

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 10,704,361
Receivables	3,315,840
Prepaid expenses	30,288
Capital assets not depreciated	2,233,162
Capital assets, net of accumulated depreciation	<u>79,748,112</u>
Total Assets	<u>96,031,763</u>
LIABILITIES	
Accounts payable	1,562,052
Interest payable	898,863
Current portion of long-term obligations	3,356,231
Noncurrent portion of long-term obligations	<u>76,388,942</u>
Total Liabilities	<u>82,206,088</u>
NET POSITION	
Net investment in capital assets	2,388,827
Restricted for:	
Debt service	4,101,424
Capital projects	2,192,234
Educational programs	645,926
Special revenue	6,608
Unrestricted	<u>4,490,656</u>
Total Net Position	<u>\$ 13,825,675</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, 2014**

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	\$ 25,902,199	\$ -	\$ 2,754,556	\$ 855,015	\$ (22,292,628)
Instruction-related activities:					
Supervision of instruction	699,759	-	-	-	(699,759)
Instructional library, media, and technology	520,791	-	47,000	-	(473,791)
School site administration	2,062,503	-	-	-	(2,062,503)
Pupil services:					
Home-to-school transportation	100,394	-	-	-	(100,394)
Food services	366,195	-	3,735	-	(362,460)
All other pupil services	1,257,175	-	13,671	-	(1,243,504)
General administration:					
Data processing	445,387	-	-	-	(445,387)
All other general administration	1,727,068	-	1,282	-	(1,725,786)
Plant services	3,423,533	-	103,307	-	(3,320,226)
Ancillary services	336,259	-	-	-	(336,259)
Interest on long-term obligations	3,321,729	-	-	-	(3,321,729)
Total Governmental Activities	\$ 40,162,992	\$ -	\$ 2,923,551	\$ 855,015	(36,384,426)
General revenues and subventions:					
					8,321,741
					5,583,497
					9,399,386
					8,709,308
					21,836
					6,056,968
					<u>38,092,736</u>
					Change in Net Position
					1,708,310
					12,117,365
					<u>\$ 13,825,675</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 3,827,836	\$ 25,610	\$ 1,322,212
Receivables	2,715,447	18	316
Due from other funds	12,000	-	-
Prepaid expenses	30,288	-	-
Total Assets	\$ 6,585,571	\$ 25,628	\$ 1,322,528
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,357,476	\$ 25,628	\$ 178,391
Due to other funds	-	-	-
Total Liabilities	1,357,476	25,628	178,391
Fund Balances:			
Nonspendable	55,288	-	-
Restricted	645,926	-	1,144,137
Committed	744,223	-	-
Assigned	818,038	-	-
Unassigned	2,964,620	-	-
Total Fund Balances	5,228,095	-	1,144,137
Total Liabilities and Fund Balances	\$ 6,585,571	\$ 25,628	\$ 1,322,528

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 4,997,945	\$ 530,758	\$ 10,704,361
2,342	597,717	3,315,840
-	-	12,000
-	-	30,288
<u>\$ 5,000,287</u>	<u>\$ 1,128,475</u>	<u>\$ 14,062,489</u>
\$ -	\$ 557	\$ 1,562,052
-	12,000	12,000
-	12,557	1,574,052
-	-	55,288
5,000,287	1,054,705	7,845,055
-	61,213	805,436
-	-	818,038
-	-	2,964,620
<u>5,000,287</u>	<u>1,115,918</u>	<u>12,488,437</u>
<u>\$ 5,000,287</u>	<u>\$ 1,128,475</u>	<u>\$ 14,062,489</u>

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, 2014**

Total Fund Balance - Governmental Funds		\$ 12,488,437
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	\$ 100,778,940	
Accumulated depreciation is	<u>(18,797,666)</u>	
Net Capital Assets		81,981,274
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.		(898,863)
Net pension assets - OPEB is not a current financial resource, therefore it is not reported in the governmental activities		(10,195)
Long-term liabilities at year end consist of:		
Bonds payable	(76,607,835)	
Compensated absences (vacations)	(142,531)	
Bond premium net of amortization	<u>(2,984,612)</u>	
Total Long-Term Liabilities		<u>(79,734,978)</u>
Total Net Position - Governmental Activities		<u><u>\$ 13,825,675</u></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, 2014**

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 16,178,447	\$ -	\$ -
Federal sources	690,828	-	-
Other state sources	2,441,490	-	855,015
Other local sources	14,530,770	1,045	3,150
Total Revenues	33,841,535	1,045	858,165
EXPENDITURES			
Current			
Instruction	24,472,011	-	-
Instruction-related activities:			
Supervision of instruction	660,180	-	-
Instructional library, media and technology	491,335	-	-
School site administration	1,945,848	-	-
Pupil services:			
Home-to-school transportation	94,716	-	-
Food services	2,085	-	-
All other pupil services	1,186,069	-	-
General administration:			
Data processing	343,081	-	-
All other general administration	1,706,500	-	-
Plant services	2,633,801	124,871	708,151
Facility acquisition and construction	44,883	118,266	1,815,103
Ancillary services	317,240	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	33,897,749	243,137	2,523,254
Excess (Deficiency) of Revenues Over Expenditures	(56,214)	(242,092)	(1,665,089)
Other Financing Sources (Uses):			
Transfers in	-	-	63,158
Other sources	-	-	-
Transfers out	(50,000)	(63,158)	-
Net Financing Sources (Uses)	(50,000)	(63,158)	63,158
NET CHANGE IN FUND BALANCES	(106,214)	(305,250)	(1,601,931)
Fund Balance - Beginning	5,334,309	305,250	2,746,068
Fund Balance - Ending	\$ 5,228,095	\$ -	\$ 1,144,137

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 16,178,447
484,183	3,735	1,178,746
34,490	-	3,330,995
5,628,395	1,019,754	21,183,114
6,147,068	1,023,489	41,871,302
-	-	24,472,011
-	-	660,180
-	-	491,335
-	-	1,945,848
-	-	94,716
-	343,398	345,483
-	-	1,186,069
-	-	343,081
-	-	1,706,500
-	7,231	3,474,054
-	-	1,978,252
-	-	317,240
2,970,000	-	2,970,000
16,039,423	-	16,039,423
19,009,423	350,629	56,024,192
(12,862,355)	672,860	(14,152,890)
-	50,000	113,158
13,716,989	-	13,716,989
-	-	(113,158)
13,716,989	50,000	13,716,989
854,634	722,860	(435,901)
4,145,653	393,058	12,924,338
\$ 5,000,287	\$ 1,115,918	\$ 12,488,437

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 BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balance - Governmental Funds	\$ (435,901)
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	\$ (2,052,265)
Capital outlays	<u>2,241,130</u>
Net Expense Adjustment	188,865
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).	(4,084)
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.	305,088
Proceeds received from the sale of government obligation bonds is revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	(13,716,989)
Proceeds received from the sale of bond anticipation notes is revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	13,439,333
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.	2,970,000
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.	(1,026,727)
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.	<u>(11,275)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,708,310</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, 2014**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 315,388</u>
LIABILITIES	
Due to student groups	<u>\$ 315,388</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 one 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 a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Revenue Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly, has been combined with the General Fund for presentation in these audited financial statements.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

As a result, the General Fund reflects an increase in assets, liabilities, fund balances, revenues and expenditures of \$99,132, \$0, \$99,132 \$169, \$0, 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).

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).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

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.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Debt 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. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Balances - Governmental Funds

As of June 30, 2014, 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.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 one-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. The government wide financial statements report \$13,825,675 of net position, of which \$6,946,192 is restricted by enabling legislation.

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.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$813,779. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

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.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No.68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows

Governmental activities	\$ 10,704,361
Fiduciary funds	315,388
Total Deposits and Investments	<u>\$ 11,019,749</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 417,522
Cash in revolving fund	25,000
Investments	10,577,227
Total Deposits and Investments	<u>\$ 11,019,749</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
County Pool	<u>\$ 10,582,064</u>	1.47

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, 2014.

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, 2014.

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, 2014, \$145,218 of the District's \$395,218 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, 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	\$ 308,104	\$ -	\$ -	\$ -	\$ 656	\$ 308,760
State Government						
Apportionment	759,267	-	-	-	-	759,267
Categorical aid	474,014	-	-	-	-	474,014
Lottery	166,559	-	-	-	-	166,559
Other State	515,706	-	-	-	-	515,706
Local Government						
Interest	3,709	18	316	2,342	111	6,496
Other local sources	488,088	-	-	-	596,950	1,085,038
Total	<u>\$ 2,715,447</u>	<u>\$ 18</u>	<u>\$ 316</u>	<u>\$ 2,342</u>	<u>\$ 597,717</u>	<u>\$ 3,315,840</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 335,023	\$ -	\$ -	\$ 335,023
Construction in Progress	443,200	1,785,901	330,962	1,898,139
Total Capital Assets Not Being Depreciated	<u>778,223</u>	<u>1,785,901</u>	<u>330,962</u>	<u>2,233,162</u>
Capital Assets Being Depreciated:				
Land Improvements	4,779,049	440,264	-	5,219,313
Buildings and Improvements	92,171,701	345,927	-	92,517,628
Furniture and Equipment	808,837	-	-	808,837
Total Capital Assets Being Depreciated	<u>97,759,587</u>	<u>786,191</u>	<u>-</u>	<u>98,545,778</u>
Total Capital Assets	<u>98,537,810</u>	<u>2,572,092</u>	<u>330,962</u>	<u>100,778,940</u>
Less Accumulated Depreciation:				
Land Improvements	1,810,297	139,820	-	1,950,117
Buildings and Improvements	14,268,262	1,881,375	-	16,149,637
Furniture and Equipment	666,842	31,070	-	697,912
Total Accumulated Depreciation	<u>16,745,401</u>	<u>2,052,265</u>	<u>-</u>	<u>18,797,666</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,792,409</u>	<u>\$ 519,827</u>	<u>\$ 330,962</u>	<u>\$ 81,981,274</u>

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

Governmental Activities	
Instruction	\$ 1,418,913
Supervision of instruction	39,579
Instructional library, media, and technology	29,456
School site administration	116,655
Home-to-school transportation	5,678
Food services	20,712
All other pupil services	71,106
Ancillary	19,019
Data processing	102,306
All other general administration	20,568
Plant services	208,273
Total Depreciation Expenses Governmental Activities	<u>\$ 2,052,265</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, between major and non-major governmental funds, are as follows:

Due To	Due From	
	Non-Major Governmental Funds	Total
General Fund	\$ 12,000	\$ 12,000
Total	<u>\$ 12,000</u>	<u>\$ 12,000</u>

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, 2014, consisted of the following:

Transfer To	Transfer From		
	General Fund	Building Fund	Total
County School Facilities Fund	\$ -	\$ 63,158	\$ 63,158
Non-Major Governmental Funds	50,000	-	50,000
Total	<u>\$ 50,000</u>	<u>\$ 63,158</u>	<u>\$ 113,158</u>

The Building Fund transferred to the County School Facilities Fund the remaining balance to close the fund.	\$ 63,158
The General Fund transferred to the Special Reserve Capital Outlay Fund for Whitter Field repairs.	50,000
Total	<u>\$ 113,158</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, 2014

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,357,476	\$ 25,628	\$ 178,391	\$ 557	\$ 1,562,052
Total	<u>\$ 1,357,476</u>	<u>\$ 25,628</u>	<u>\$ 178,391</u>	<u>\$ 557</u>	<u>\$ 1,562,052</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, 2013	Additions	Accretions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 66,519,764	\$ 11,998,678	\$ 1,059,393	\$ 2,970,000	\$ 76,607,835	\$ 3,137,265
Bond anticipation notes	13,439,333	-	72,929	13,512,262	-	-
Subtotal	79,959,097	11,998,678	1,132,322	16,482,262	76,607,835	3,137,265
Bond premium, net	1,571,389	1,718,311	-	305,088	2,984,612	218,966
Accumulated vacation - net	138,447	4,084	-	-	142,531	-
Postemployment benefits obligation/(asset)	(1,080)	456,190	-	444,915	10,195	-
Total	<u>\$ 81,667,853</u>	<u>\$ 14,177,263</u>	<u>\$ 1,132,322</u>	<u>\$ 17,232,265</u>	<u>\$ 79,745,173</u>	<u>\$ 3,356,231</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, 2013	Issued	Accretions	Redeemed	Bonds Outstanding June 30, 2014
1/11/2005	8/1/2020	3.0-4.0%	\$ 18,415,000	\$ 12,650,000	\$ -	\$ -	\$ 1,060,000	\$ 11,590,000
7/27/2006	8/1/2031	4.0-6.5%	\$ 14,999,934	16,319,764	-	370,344	270,000	16,420,108
10/14/2009	8/1/2034	1.0-5.0%	\$ 19,000,000	17,695,000	-	-	365,000	17,330,000
10/14/2009	8/1/2018	2.0-3.0%	\$ 13,145,000	9,855,000	-	-	1,275,000	8,580,000
4/20/2011	5/1/2026	5.75%	\$ 10,000,000	10,000,000	-	-	-	10,000,000
8/23/2014	8/1/2043	5.3-6.3%	\$ 11,998,678	-	11,998,678	689,049	-	12,687,727
				<u>\$ 66,519,764</u>	<u>\$ 11,998,678</u>	<u>\$ 1,059,393</u>	<u>\$ 2,970,000</u>	<u>\$ 76,607,835</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Debt Service Requirements to Maturity

The bonds mature through fiscal year 2043 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 3,137,265	\$ 2,528,630	\$ 5,665,895
2016	3,342,296	2,442,786	5,785,082
2017	3,885,000	2,245,432	6,130,432
2018	3,700,000	2,117,176	5,817,176
2019	3,895,000	1,987,247	5,882,247
2020-2024	10,555,000	8,221,054	18,776,054
2025-2029	16,769,146	11,051,928	27,821,074
2030-2034	12,945,679	9,285,196	22,230,875
2035-2039	10,299,184	25,845,692	36,144,876
2040-2043	4,946,732	23,863,268	28,810,000
Total	<u>73,475,302</u>	<u>\$ 89,588,409</u>	<u>\$ 163,063,711</u>
Accretions to date	<u>3,132,533</u>		
Total	<u>\$ 76,607,835</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 District repaid the notes during fiscal year 2013-14. The outstanding amount of the bond anticipation notes was \$0 at June 30, 2014.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$142,531.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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	30,288	-	-	-	-	30,288
Total Nonspendable	<u>55,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,288</u>
Restricted						
Legally restricted programs	645,926	-	-	-	6,608	652,534
Capital projects	-	-	1,144,137	-	1,048,097	2,192,234
Debt services	-	-	-	5,000,287	-	5,000,287
Total Restricted	<u>645,926</u>	<u>-</u>	<u>1,144,137</u>	<u>5,000,287</u>	<u>1,054,705</u>	<u>7,845,055</u>
Committed						
Educational programs	490,838	-	-	-	-	490,838
Deferred maintenance program	253,385	-	-	-	-	253,385
Cafeteria program	-	-	-	-	61,213	61,213
Total Committed	<u>744,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,213</u>	<u>805,436</u>
Assigned						
Other	818,038	-	-	-	-	818,038
Total Assigned	<u>818,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>818,038</u>
Unassigned						
Reserve for economic uncertainties	1,409,089	-	-	-	-	1,409,089
Remaining unassigned	1,555,531	-	-	-	-	1,555,531
Total Unassigned	<u>2,964,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,964,620</u>
Total	<u>\$ 5,228,095</u>	<u>\$ -</u>	<u>\$ 1,144,137</u>	<u>\$ 5,000,287</u>	<u>\$ 1,115,918</u>	<u>\$ 12,488,437</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 70 retirees and beneficiaries currently receiving benefits and 244 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 if not on the top step of the salary schedule.

** 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.

**** Those retiring after 6/30/14 receive a maximum of 5 years of benefits, but not beyond Medicare age.

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 2013-14 the Annual Required Contribution was \$456,190 and the District contributed \$444,915 to the Plan, all of which was used for current premiums (approximately 98 percent of current year’s annual required contributions).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 obligation to the Plan:

Annual required contribution	\$ 456,190
Annual OPEB cost (expense)	<u>456,190</u>
Contributions made	<u>(444,915)</u>
Increase in net OPEB obligation	11,275
Net OPEB (asset), beginning of year	<u>(1,080)</u>
Net OPEB obligation, end of year	<u><u>\$ 10,195</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)
2014	444,915	456,190	98%	10,195

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, 2014

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, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.75 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4.00 percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 2.75 percent annual increase in payroll. The remaining amortization period at July 1, 2013, was 25 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, 2014, 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 2014, 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, 2014

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

Insurance Program / Company Name	Type of Coverage	Limits
Alameda County Schools Insurance Group (ACSIG)	2163758	Statutory Limit
<u>Excess Property and Liability Program</u>		
NorCal Relief	Property	\$500 - \$250,000,000
NorCal Relief	Liability	\$50,000 - \$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 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013 and 2012, were \$1,291,184, \$1,242,104, and \$1,200,819, respectively, and equal 100 percent of the required contributions for each year.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

CalPERS

Plan Description

The District contributes to the School Employer Pool under the 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 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, 2014, 2013, and 2012, were \$524,998, \$513,200, and \$483,401, 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 \$804,129 (5.541 percent of 2011-12 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, 2014

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, 2014.

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, 2014.

Construction Commitments

As of June 30, 2014, 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 Shades	\$ 30,000	6/30/2015
Beach Elementary School Shades	30,000	6/30/2015
Piedmont High School Alan Harvey Theatre	560,000	6/30/2015
Piedmont Middle School Modernization	150,000	6/30/2015
Piedmont High School Modernization	150,000	6/30/2015
Wildwood Elementary School Playground	<u>\$ 920,000</u>	

Operating Leases

The District leases certain office equipment under non-cancelable operating leases. Future minimum rental payments under operating leases at June 30, 2014, are:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2015	\$ 65,023
2016	45,023
2017	45,023
2018	17,574
2019	6,318
Total	<u>\$ 178,961</u>

Rent expense under operating leases was \$109,019 in 2014 and \$94,927 in 2013. Renewal options are provided.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, the District made payments of \$521,699 to Alameda County Schools Insurance Group for workers' compensation, property, and liability insurance coverage.

NOTE 14 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 12,931,144
Change in accounting principles to conform to GASB Statement No. 65	<u>(813,779)</u>
Net Position - Beginning as Restated	<u><u>\$ 12,117,365</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Variances -
	Original	Final	Actual	Positive
				(Negative)
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 13,744,215	\$ 16,083,216	\$ 16,083,216	\$ -
Federal sources	717,854	690,828	690,828	-
Other State sources	2,838,159	1,302,908	1,302,908	-
Other local sources	13,232,650	14,273,705	14,273,705	-
Total Revenues¹	30,532,878	32,350,657	32,350,657	-
EXPENDITURES				
Current				
Certificated salaries	15,816,755	15,829,766	15,829,766	-
Classified salaries	4,960,995	4,878,932	4,878,932	-
Employee benefits	7,008,350	6,663,711	6,663,711	-
Books and supplies	727,548	1,607,775	1,607,775	-
Services and operating expenditures	3,134,703	3,458,051	3,458,051	-
Other outgo	(120,000)	(120,000)	(120,000)	-
Total Expenditures¹	31,528,351	32,318,235	32,318,235	-
Excess (Deficiency) of Revenues				
Over Expenditures	(995,473)	32,422	32,422	-
Other Financing Sources (Uses):				
Transfers in	-	84	84	-
Transfers out	(50,000)	(335,463)	(335,463)	-
Net Financing Sources (Uses)	(50,000)	(335,379)	(335,379)	-
NET CHANGE IN FUND BALANCES	(1,045,473)	(302,957)	(302,957)	-
Fund Balance - Beginning	4,676,274	4,676,274	4,676,274	-
Fund Balance - Ending	\$ 3,630,801	\$ 4,373,317	\$ 4,373,317	\$ -

¹ On behalf payments of \$804,129 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, 2014**

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)
September 1, 2013	\$ -	\$ 5,762,826	\$ 5,762,826	0%	\$ 21,060,385	27%
September 1, 2011	-	\$ 5,250,572	5,250,572	0%	20,361,903	26%
April 1, 2009	-	4,249,446	4,249,446	0%	19,628,924	22%

SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 54,409
Title II - Part A, Improving Teacher Quality	84.367	14341	32,340
Title III - Limited English Proficiency (LEP) Student Program	84.365	10084	12,376
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	499,253
Preschool Local Entitlement Part B, Sec 611	84.027A	13682	17,171
Preschool Grants Part B, Sec 619	84.173	13430	10,470
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	61,763
Early Intervention Program, Part C	84.181	23761	3,046
Total U.S. Department of Education			<u>690,828</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Special Milk Program for Children	10.556	13390	3,735
Total U.S. Department of Agriculture			<u>3,735</u>
Total Expenditures of Federal Awards			<u>\$ 694,563</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

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>
Andrea Swenson	President	2016
Sarah Pearson	Vice President	2016
Amal Smith	Member	2018
Doug Ireland	Member	2018
Richard Raushenbush	Member	2016

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, 2014**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	717.65	725.54
Fourth through sixth	601.00	604.43
Seventh and eighth	403.02	403.00
Ninth through twelfth	819.03	816.62
Total Regular ADA	<u>2,540.70</u>	<u>2,549.59</u>
Extended Year Special Education		
Transitional kindergarten through third	1.13	1.93
Fourth through sixth	0.61	0.13
Seventh and eighth	0.60	0.28
Ninth through twelfth	0.56	-
Total Extended Year Special Education	<u>2.90</u>	<u>2.34</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	-
Fourth through sixth	0.98	0.77
Seventh and eighth	-	-
Ninth through twelfth	5.21	3.95
Total Special Education, Nonpublic, Nonsectarian Schools	<u>6.19</u>	<u>4.72</u>
Total ADA	<u><u>2,549.79</u></u>	<u><u>2,556.65</u></u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014**

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2013-14 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	35,875	179	In Compliance
Grades 1 - 3					
Grade 1	50,400	49,000	50,850	179	In Compliance
Grade 2	50,400	49,000	50,850	179	In Compliance
Grade 3	50,400	49,000	50,580	179	In Compliance
Grades 4 - 6					
Grade 4	54,000	52,500	52,775	179	In Compliance
Grade 5	54,000	52,500	52,775	179	In Compliance
Grade 6	54,000	52,500	65,070	179	In Compliance
Grades 7 - 8					
Grade 7	54,000	52,500	65,070	179	In Compliance
Grade 8	54,000	52,500	65,070	179	In Compliance
Grades 9 - 12					
Grade 9	64,800	63,000	66,531	179	In Compliance
Grade 10	64,800	63,000	66,531	179	In Compliance
Grade 11	64,800	63,000	66,531	179	In Compliance
Grade 12	64,800	63,000	66,531	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, 2014

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, 2014, Unaudited Actuals	\$ 81,512,030
Increase (decrease) in:	
Construction in progress	383,890
Buildings and improvements	87,094
Increase in:	
Accumulated depreciation - land improvements	1
Accumulated depreciation - buildings & improvements	(1,742)
Accumulated depreciation - furniture & equipment	1
Total Capital Assets, June 30, 2014, Audited Financial Statement	<u>\$ 81,981,274</u>

FORM DEBT

Total Long-Term Liabilities, June 30, 2014, Unaudited Actuals	\$ 79,500,738
Increase (decrease) in:	
Bond premium on issuance	2,984,612
OPEB obligation	10,195
Compensated absences	4,662
General obligation bonds	(2,755,034)
Total Long-Term Liabilities, June 30, 2014, Audited Financial Statement	<u>\$ 79,745,173</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget)			
	2015 ¹	2014 ¹	2013 ¹	2012 ¹
GENERAL FUND				
Revenues ³	\$ 32,415,890	\$ 32,445,886	\$ 30,567,210	\$ 31,201,514
Other sources and transfers in	-	84	244,343	-
Total Revenues and Other Sources	<u>32,415,890</u>	<u>32,445,970</u>	<u>30,811,553</u>	<u>31,201,514</u>
Expenditures ³	34,265,405	32,318,235	30,944,015	30,218,161
Other uses and transfers out	335,463	430,692	50,000	48,476
Total Expenditures and Other Uses	<u>34,600,868</u>	<u>32,748,927</u>	<u>30,994,015</u>	<u>30,266,637</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (2,184,978)</u>	<u>\$ (302,957)</u>	<u>\$ (182,462)</u>	<u>\$ 1,418,705</u>
ENDING FUND BALANCE	<u>\$ 2,188,339</u>	<u>\$ 4,373,317</u>	<u>\$ 4,676,274</u>	<u>\$ 4,745,188</u>
AVAILABLE RESERVES²	<u>\$ 2,010,848</u>	<u>\$ 2,964,620</u>	<u>\$ 3,795,305</u>	<u>\$ 4,148,687</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	<u>5.81%</u>	<u>9.05%</u>	<u>12.54%</u>	<u>14.08%</u>
LONG-TERM DEBT	<u>\$ 76,388,942</u>	<u>\$ 79,745,173</u>	<u>81,668,933</u>	<u>\$ 83,677,701</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>2,574</u>	<u>2,550</u>	<u>2,510</u>	<u>2,458</u>

The General Fund balance has decreased by \$371,871 over the past two years. The fiscal year 2014-2015 budget projects a decrease of \$2,184,978 (50 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 the current year and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$3,932,528 over the past two years.

Average daily attendance has increased by 92 over the past two years. An increase of 24 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 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 within the General Fund.

³ On-behalf payments of, \$804,129, \$732,241, and \$720,995, have been excluded from the calculation of available reserves for fiscal years ended June 30, 2014, 2013, and 2012. 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 \$686,748 and expenditures of \$775,384 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, 2014**

	<u>Cafeteria Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Deposits and investments	\$ 77,272	\$ 453,486	\$ 530,758
Receivables	3,106	594,611	597,717
Total Assets	<u>\$ 80,378</u>	<u>\$ 1,048,097</u>	<u>\$ 1,128,475</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 557	\$ -	\$ 557
Due to other funds	12,000	-	12,000
Total Liabilities	<u>12,557</u>	<u>-</u>	<u>12,557</u>
Fund Balances:			
Restricted	6,608	1,048,097	1,054,705
Committed	61,213	-	61,213
Total Fund Balance	<u>67,821</u>	<u>1,048,097</u>	<u>1,115,918</u>
Total Liabilities and Fund Balances	<u>\$ 80,378</u>	<u>\$ 1,048,097</u>	<u>\$ 1,128,475</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, 2014**

	Cafeteria Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES			
Federal sources	\$ 3,735	\$ -	\$ 3,735
Other local sources	401,555	618,199	1,019,754
Total Revenues	405,290	618,199	1,023,489
EXPENDITURES			
Current			
Pupil services:			
Food services	343,398	-	343,398
Plant services	-	7,231	7,231
Total Expenditures	343,398	7,231	350,629
Excess (Deficiency) of Revenues Over Expenditures	61,892	610,968	672,860
Other Financing Sources (Uses):			
Transfers in	-	50,000	50,000
Net Financing Sources (Uses)	-	50,000	50,000
NET CHANGE IN FUND BALANCES	61,892	660,968	722,860
Fund Balance - Beginning	5,929	387,129	393,058
Fund Balance - Ending	\$ 67,821	\$ 1,048,097	\$ 1,115,918

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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:		\$ 1,178,746
Federal interest reimbursement of Quality School Construction Bonds	N/A	<u>(484,183)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 694,563</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. The District neither met nor exceeded its target funding. 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 the 1986-87 requirement, as required by Education Code Section 46201.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED) JUNE 30, 2014

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 AUDITOR'S REPORTS



**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
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, June 30, 2014, 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 December 15, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

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 is described in the accompanying schedule of findings and questioned costs as item 2014-002.

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.

Vavinek, Ture, Day & Co LLP

Pleasanton, California
December 15, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL 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 each of Piedmont Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Piedmont Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Piedmont Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Piedmont Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Piedmont Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

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 Piedmont Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Piedmont Unified School District's internal control over compliance.

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

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

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

Vavirek, Ture, Day & Co LLP

Pleasanton, California
December 15, 2014



INDEPENDENT AUDITOR'S 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 2013-2014* that could have a direct and material effect on each of the Piedmont Unified School District's State government programs as noted below for the year ended June 30, 2014.

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 2013-2014*. 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.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, Piedmont Unified School District did not comply with requirements regarding Classroom Teachers Salaries as noted in 2014-2. Compliance with such requirements is necessary, in our opinion, for Piedmont Unified School District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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, 2014.

Unmodified Opinion on each of the Other Programs

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, 2014, 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 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	10	Yes
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
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	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
Charter School Facility Grant Program	1	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, Tine, Day & Co LLP

Pleasanton, California
December 15, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIEDMONT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.181	Special Education IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Qualified</u>
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PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

The following finding represents a significant deficiency, material weakness, and/or instance of noncompliance related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

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

2014-001 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 receipt and disbursement procedures include maintaining adequate supporting evidence, recording all ASB activity in the general ledger and reconciling the general ledger to the bank statement monthly. 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 ASB accounts at Piedmont Middle School, 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 Middle School

- Pre-numbered receipts or an alternate tracking system is not used for tracking cash receipts,
- Revenue potential forms are not used for tracking fundraising activity,
- 4 out of 12 disbursements reviewed were missing supporting documentation,
- 12 out of 12 checks reviewed were signed by the ASB Bookkeeper.

Piedmont High School

- Twelve outstanding checks at June 30, 2014 totaling \$9,866 are greater than one year old. The stale dated checks cover the period 9/24/12 through 5/31/13.

Millennium Continuation High School

- None of the bank reconciliations reviewed were properly prepared and there was no evidence of a secondary review,
- Cash receipts are not issued in sequential order,
- Not all cash receipts were recorded to the general ledger. Only BART ticket sales and student sales were recorded.

Questioned costs

There are no questioned costs associated with the above condition.

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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 reconciliation. The District should also ensure that policies and procedures over cash receipts and disbursements are implemented at all sites.

Corrective Action Plan

The District concurs with two of the audit findings, and notes the following:

- With respect to bank reconciliations, there has been a change in procedures to ensure a more organized system to track of all ASB approved purchases and income. All receipts of approved purchases are attached behind disbursement vouchers. All deposits have appropriate deposit tickets. All transactions are documented in a separate electronic spreadsheet. Most importantly, all bank statements are reconciled by the Advisor (credentialed teacher) and confirmed by another credentialed teacher. The Principal also sign off on the reconciliation.
- With respect to cash receipts, the site will make a greater effort to maintain sequential receipt numbering.
- According to the site, all cash receipts were recorded in the general ledger. Only BART ticket sales were recorded because there were no other cash receipts.

Corrective Action Plan: The District will follow auditor recommendations

2014-1: ASB funds at Piedmont Middle School

The District concurs with the audit findings and notes the following:

- With respect to pre-numbered receipts, PMS has migrated to an online system, and thus checks are handled very infrequently, with the vast majority of funds exchanged via credit card. The site maintains a numbered receipt book when cash or checks are received.

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

- The site has adopted a revenue potential form from FCMAT.
- All outstanding items have been cleared.
- Administrative changes at the school site necessitated adding signers to the ASB account. For a brief period of time in 2013-14, there was not an additional signer as the ASB Bookkeeper and Administrator signer were the same person.

2014-1: ASB funds at Piedmont High School

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

- With respect to stale-dated checks, the site had previously allowed a one-year period for checks to be cashed based on a history of recorded statement showing banks honored ASB checks up to one year old. Of the checks not cashed, all but one were issued to a single vendor.

Corrective Action Plan: The site will cancel stale-dated checks after six months.

PIEDMONT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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
41000	CalSTRS
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

2014-002 CLASSROOM TEACHER SALARIES (40000)

Criteria or Specific Requirements

California Education Code section 41372 requires the district to expend a minimum of 55% of the total current expenditures for the salaries of classroom teachers. "Current expense of education" means the gross total expended (not reduced by estimated income or estimated federal and state apportionments) for the purposes classified in the final budget of a school submitted to and approved by the county superintendent of schools pursuant to Section 42127 for certificated salaries other than certificated salaries for pupil transportation, food services, and community services; classified salaries other than classified salaries for pupil transportation, food services, and community services; employee benefits other than employee benefits for pupil transportation personnel, food services personnel, and community services personnel; books, supplies, and equipment replacement other than for pupil transportation and food services; and community services, contracted services, and other operating expenses other than for pupil transportation, food services, and community services. "

Condition

Significant Deficiency – Positions included in the instructional aide classification included personnel whose job positions were not consistent with the instruction aide classification.

Questioned Costs

None. After adjusting for classification discrepancies of \$86,692, the Districts ratio was 64.2%, and remains in compliance with the minimum required percentage of 55%.

Context

The discrepancy was noted when reviewing employee job descriptions to determine if these instructional aides provided direct instructional services to students.

Effect

The data used to calculate the Classroom Teacher Salary ratio was not accurate.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Cause

Personnel classifications were not corrected categorized.

Recommendation

The district should review the classification of personnel data used to compute the Classroom Teacher Salary ratio and ensure compliance with California Education Code section 41373(b) and ensure that the requirements for classroom teacher expenditures are met.

Corrective Action Plan

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

- There are three District employees who were assigned a position control code that is inconsistent with coding for classroom aides. The services provided by these employees directly impact students, but the functions of the positions do not fall under the general guidelines of a classroom aide.

Corrective Action Plan: The District has changed the coding for these positions in 2014-15.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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

2013-1 **Code**
30000

Title

Internal Control - Associated Student Body

Significant Deficiency

Finding

During the audit of the ASB accounts at Piedmont Middle School and Millennium Continuation High School, we noted conditions indicating 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,
- 1 out of 3 disbursements for goods reviewed did not have receiving documents,
- 2 out of 3 fundraisers reviewed did not have evidence of approval in ASB minutes,
- 2 out of 3 fundraisers reviewed did not have a completed revenue potential form,
- 1 out of 3 fundraisers reviewed had an incident where a total of \$1,000 was collected but only \$885 was deposited. The difference of \$115 was missing,
- 2 out of 2 ticketed events reviewed did not have a ticket log maintained,
- 1 year-round fundraiser did not have a summary report to track cash received.

Millennium Continuation High School

- None of the bank reconciliations reviewed were properly prepared and there was no evidence of a secondary review,
- 1 monthly cash receipt reviewed did not reconcile to the monthly deposit by \$810,
- 1 out of 7 disbursements reviewed had no supporting document. The documentation was located during our visit,
- 3 out of 7 checks reviewed were not clearly legible to verify proper signors,
- 3 out of 7 transactions reviewed were advance payments resulting in overpayment of \$181 which was stored in an envelope in a binder rather than being deposited in a secure location or the bank.

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 reconciliation. The District should also ensure that policies and procedures over cash disbursements are implemented at all sites.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Current Status

Partially Implemented. See current year financial statement finding 2014-1.

2013-2 **Code**
30000

Title

Internal Control - Journal Entries
Significant Deficiency

Finding

Out of 15 journal entries selected for testing, some were missing supporting documentation due to misfiling.

Recommendation

In order to safeguard the correctness/appropriateness of the journal entries, we recommend that the District evaluate its existing journal entry filing procedures. The District should ensure that all journal entries have proper supporting documentation.

Current Status

Implemented.

State Award Findings

2013-3 **Code**
10000, 40000

Title

Independent Study
Significant Deficiency, Instance of Non Compliance

Finding

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 independent study.
- 2 out of 6 independent study agreements reviewed revealed that the students did not date the agreements.

Recommendation

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

Current Status

No Long Term Independent Study ADA claimed in the current year, therefore, additional testing not considered necessary.