

**PIEDMONT UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2007**

PIEDMONT UNIFIED SCHOOL DISTRICT

OF ALAMEDA COUNTY

PIEDMONT, CALIFORNIA

JUNE 30, 2007

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ward Lindenmayer	President	2008
June Monach	Vice President	2008
Cathie Geddeis	Member	2008
Ray Gadbois	Member	2010
Roy Tolles	Member	2010

ADMINISTRATION

Constance Hubbard	Superintendent
Michael Brady	Assistant Superintendent, Business
Michelle Nguyen	Director, Fiscal Services

PIEDMONT UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2007

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds - Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Fiduciary Funds - Statement of Net Assets	17
Notes to Financial Statements	18

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	42
--	----

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	44
Local Educational Agency Organization Structure	45
Schedule of Average Daily Attendance	46
Schedule of Instructional Time	47
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	48
Schedule of Financial Trends and Analysis	49
Excess Sick Leave	50
Note to Supplementary Information	51

SUPPLEMENTARY INFORMATION - UNAUDITED

Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	55
Note to Supplementary Information - Unaudited	57

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	61
Report on State Compliance	63

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	66
Financial Statement Findings	67
Federal Award Findings and Questioned Costs	70
State Award Findings and Questioned Costs	71
Summary Schedule of Prior Audit Findings	73

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Piedmont Unified School District
Piedmont, California

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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; 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 Educational Agencies 2006-07* 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 41, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavinek, Trine, Day & Co LLP
Pleasanton, California
December 14, 2007

PIEDMONT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

This section of Piedmont Unified School District's 2007 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. 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 Piedmont Unified School District (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 as well as all liabilities (including long-term debt). 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 agency funds, which only report a balance sheet and do not have a measurement focus.

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 Assets and the Statement of Activities

The *Statement of Net Assets* 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 assets* and changes in them. Net assets are 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 assets are 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.

The relationship between revenues and expenses is the District's *operating results*. Since the 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 Assets* 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 separate *Statements of Fiduciary Net Assets*. 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.

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$902,500 for the fiscal year ended June 30, 2007. Of this amount, \$2,046,197 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table A-1) and change in net assets (Table A-2) of the District's governmental activities.

Table A-1

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 24,125,105	\$ 8,850,140
Capital assets	30,477,093	28,783,770
Total Assets	<u>54,602,198</u>	<u>37,633,910</u>
Current liabilities	6,693,777	5,682,179
Long-term debt	47,005,921	33,551,308
Total Liabilities	<u>53,699,698</u>	<u>39,233,487</u>
Net assets		
Invested in capital assets, net of related debt	(4,627,305)	(4,493,267)
Restricted	3,483,608	2,615,549
Unrestricted	2,046,197	278,141
Total Net Assets	<u>\$ 902,500</u>	<u>\$ (1,599,577)</u>

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 12. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table A-2

Revenues	2007	2006
Program revenues		
Charges for services	\$ 9,442	\$ 8,684
Operating grants and contributions	3,585,534	3,170,892
General revenues:		
Federal and State aid not restricted	9,438,348	8,067,484
Property taxes	16,624,567	14,348,753
Other general revenues	4,635,374	3,340,645
Total Revenues	<u>34,293,265</u>	<u>28,936,458</u>
Expenses		
Instruction related	23,477,519	21,468,391
Student support services	1,465,773	1,309,444
Administration	1,613,340	1,781,641
Maintenance and operations	2,749,979	2,394,204
Other	2,484,576	1,507,576
Total Expenses	<u>31,791,187</u>	<u>28,461,256</u>
Change in Net Assets	<u>\$ 2,502,078</u>	<u>\$ 475,202</u>

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$31,791,187. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$16,624,567 because the cost was paid by those who benefited from the programs \$9,442 or by other governments and organizations who subsidized certain programs with grants and contributions \$3,585,534. We paid for the remaining "public benefit" portion of our governmental activities with \$9,438,348 in federal and state aid not restricted and with other revenues, like interest and general entitlements.

In Table A-3, we have presented the *net* cost (total cost less revenues generated by the activities) of each of the District's functions – instruction, student support services, administration, maintenance and operations, and other. 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.

Table A-3

	<u>2007</u>	<u>2006</u>
Instruction	\$ 20,115,744	\$ 18,557,740
Student support services	1,292,460	1,124,247
Administration	1,571,126	1,706,168
Maintenance and operations	2,732,305	2,388,478
Other	2,484,576	1,505,047
Totals	<u>\$ 28,196,211</u>	<u>\$ 25,281,680</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$18,749,374, which is an increase of \$15,073,890 from last year.

The primary reasons for decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from \$1,098,485 to \$2,087,867.
- b. Our Building Fund is our fund that accounts separately for proceeds from sale of bonds and acquisition of major governmental capital facilities and buildings. The fund balance in the Building Fund increased from \$172,238 to \$12,410,416 due to the issuance of new bonds and the corresponding expenditure of some of the bond proceeds.
- c. Our Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs. The fund balance in the Bond Interest and Redemption Fund increased from \$1,847,290 to \$2,639,783 primarily due to the collection of property taxes that will be used for repayment of the bonds.
- d. An increase of \$1,053,837 in the fund balances for our other Non-major funds resulting mostly from our Special Reserve – Noncapital and our Special Reserve – Capital Outlay funds.

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 on June 27, 2007. 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 41.

- Budgeted expenditures increased by \$770,177 due to the assumption that donations and revenues would increase in 2006-07.
- There were also modifications, based on close monitoring of actual events throughout the year.
- The District originally projected a decrease in the general fund of \$84,472 and the actual net change in fund balance is an increase of \$989,382. Although revenues were \$2,267,973 more than expected, expenditures were \$289,420 more than originally projected. The majority of the increase in revenue is from the one time and new State programs, which are expenditure driven. However, there are carry-overs for most of these programs; thus, the net change in fund balance is much greater. Expenditures also increased over the original budgeted amounts due to salary settlements with the bargaining units.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had \$30,477,093 in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$1,922,001 from last year due to new expenditures related to installation of portables, the Havens Beach and Wildwood site improvements and other district wide projects.

Table A-4

	2007	2006
	Governmental Activities	
Land and land improvements	\$ 4,557,245	\$ 4,666,930
Buildings and improvements	23,060,286	23,677,346
Equipment	178,293	210,816
Work in process	2,681,269	-
Totals	<u>\$ 30,477,093</u>	<u>\$ 28,555,092</u>

Long-Term Debt

At the end of this year, the District had \$48,206,766 of long term debt outstanding versus \$33,551,308 last year, an increase of 42 percent due to the issuance of new bonds. The long term debt outstanding consisted of:

Table A-5

	2007	2006
General obligation bonds	\$ 47,439,782	\$ 33,315,776
General obligation bond premiums	551,139	-
Capitalized lease obligations	62,033	90,597
Compensated absences	153,812	144,935
Totals	<u>\$ 48,206,766</u>	<u>\$ 33,551,308</u>

We present more detailed information regarding our long-term obligations in Note #8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-07 ARE NOTED BELOW:

Maintained educational programs for all students K-12, and settled all collective bargaining issues including increased compensation for employees through June 30, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2007-08 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Effective July 1, 2007, the Parcel Taxes B & C will increase 5% over the level of 2006-07.
2. Revenue limit income will increase 4.53% based on ADA P-2 at June 30, 2007, (based on information provided by California School Services); however we are anticipating a slight decline in ADA for the 07/08 fiscal year, and are incorporating this into our multiyear projections.
3. Interest earnings will remain level.
4. Federal income will remain level.
5. State Categorical programs will increase 4.53% COLA

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, at Piedmont Unified School District, Piedmont, California or e-mail at chubbard@piedmontk12.ca.us.

PIEDMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 21,696,607
Receivables	1,844,850
Deferred charges	583,648
Capital assets not depreciated	3,016,292
Capital assets, net of accumulated depreciation	27,460,801
Total Assets	<u>54,602,198</u>
LIABILITIES	
Accounts payable	1,305,000
Interest payable	748,072
Current loans	3,439,860
Current portion of long-term obligations	1,200,845
Noncurrent portion of long-term obligations	47,005,921
Total Liabilities	<u>53,699,698</u>
NET ASSETS	
Invested in capital assets, net of related debt	(4,627,305)
Restricted for:	
Debt service	1,891,711
Educational programs	780,913
Special revenue	810,984
Unrestricted	2,046,197
Total Net Assets	<u>\$ 902,500</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, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 19,993,747	\$ -	\$ 3,148,294	\$ (16,845,453)
Instruction-related activities:				
Supervision of instruction	517,348	-	2,519	(514,829)
Instructional library, media, and technology	524,535	-	2,709	(521,826)
School site administration	2,441,889	-	208,253	(2,233,636)
Pupil services:				
Home-to-school transportation	38,023	-	14,555	(23,468)
Food services	235,149	9,442	10,058	(215,649)
All other pupil services	1,192,601	-	139,258	(1,053,343)
General administration:				
Data processing	243,419	-	-	(243,419)
All other general administration	1,369,921	-	42,214	(1,327,707)
Plant services	2,749,979	-	17,674	(2,732,305)
Ancillary services	95,016	-	-	(95,016)
Interest on long-term debt	2,389,560	-	-	(2,389,560)
Total Governmental-Type Activities	\$ 31,791,187	\$ 9,442	\$ 3,585,534	(28,196,211)
General revenues and subventions:				
				6,789,830
				2,843,538
				6,991,199
				9,438,348
				385,432
				4,249,942
			Subtotal, General Revenues	30,698,289
			Change in Net Assets	2,502,078
			Net Assets - Beginning	(1,599,578)
			Net Assets - Ending	\$ 902,500

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 4,690,663	\$ 12,878,235	\$ 2,620,358	\$ 1,507,351	\$ 21,696,607
Receivables	1,534,768	30	19,425	243,404	1,797,627
Due from other funds	444,000	-	-	-	444,000
Total Assets	<u>\$ 6,669,431</u>	<u>\$ 12,878,265</u>	<u>\$ 2,639,783</u>	<u>\$ 1,750,755</u>	<u>\$ 23,938,234</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,141,704	\$ 137,849	\$ -	\$ 25,447	\$ 1,305,000
Due to other funds	-	330,000	-	114,000	444,000
Other current liabilities	3,439,860	-	-	-	3,439,860
Total Liabilities	<u>4,581,564</u>	<u>467,849</u>	<u>-</u>	<u>139,447</u>	<u>5,188,860</u>
Fund Balances:					
Reserved for:					
Legally restricted balances	780,913	-	-	-	780,913
Other reservations	25,000	-	-	-	25,000
Unreserved:					
Designated	1,051,444	-	-	-	1,051,444
Undesignated, reported in:					
General Fund	230,510	-	-	-	230,510
Special revenue funds	-	-	-	1,416,094	1,416,094
Debt service funds	-	-	2,639,783	-	2,639,783
Capital projects funds	-	12,410,416	-	195,214	12,605,630
Total Fund Balance	<u>2,087,867</u>	<u>12,410,416</u>	<u>2,639,783</u>	<u>1,611,308</u>	<u>18,749,374</u>
Total Liabilities and Fund Balances	<u>\$ 6,669,431</u>	<u>\$ 12,878,265</u>	<u>\$ 2,639,783</u>	<u>\$ 1,750,755</u>	<u>\$ 23,938,234</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total Fund Balance - Governmental Funds		\$ 18,749,374
Amounts Reported for Governmental Activities in the Statement of Net Assets 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	\$42,185,399	
Accumulated depreciation is	<u>(11,708,306)</u>	
Net Capital Assets		30,477,093
Deferred charges related to the issuance of debt are expensed over the life of the debt on the government-wide financial statements, but are recorded as an expenditure in the governmental fund statements when the debt was issued.		583,648
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.		(748,072)
The special education settlement was not available soon enough after year end to pay for the current period's expenditures, and therefore is not recorded in the fund statement.		47,223
Long-term liabilities at year end consist of:		
Bonds payable	(47,439,782)	
Capital leases payable	(62,033)	
Compensated absences (vacations)	(153,812)	
Bond premium net of amortization	<u>(551,139)</u>	
Total Long-Term Liabilities		<u>(48,206,766)</u>
Total Net Assets - Governmental Activities		<u>\$ 902,500</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, 2007**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 14,333,405	\$ -	\$ -	\$ 323,874	\$ 14,657,279
Federal sources	594,978	-	-	10,058	605,036
Other state sources	3,601,012	-	23,551	114,559	3,739,122
Other local sources	10,484,835	429,105	2,877,001	1,122,846	14,913,787
Total Revenues	29,014,230	429,105	2,900,552	1,571,337	33,915,224
EXPENDITURES					
Current					
Instruction	18,980,169	-	-	440,663	19,420,832
Instruction-related activities:					
Supervision of instruction	502,313	-	-	-	502,313
Instructional library, media and technology	509,291	-	-	-	509,291
School site administration	2,182,158	-	-	188,767	2,370,925
Pupil services:					
Home-to-school transportation	36,918	-	-	-	36,918
Food services	-	-	-	228,315	228,315
All other pupil services	1,157,943	-	-	-	1,157,943
General administration:					
Data processing	231,610	-	-	-	231,610
All other general administration	1,209,310	-	-	120,800	1,330,110
Plant services	2,353,540	88,476	-	162,967	2,604,983
Facility acquisition and construction	44,088	2,712,491	-	9,650	2,766,229
Ancillary services	92,255	-	-	-	92,255
Debt service					
Principal	91,591	-	935,000	-	1,026,591
Interest and other	-	389,894	1,568,531	-	1,958,425
Total Expenditures	27,391,186	3,190,861	2,503,531	1,151,162	34,236,740
Excess (Deficiency) of					
Revenues Over Expenditures	1,623,044	(2,761,756)	397,021	420,175	(321,516)
Other Financing Sources (Uses):					
Transfers in	1,338	-	-	635,000	636,338
Other sources	-	14,999,934	395,472	-	15,395,406
Transfers out	(635,000)	-	-	(1,338)	(636,338)
Net Financing Sources (Uses)	(633,662)	14,999,934	395,472	633,662	15,395,406
NET CHANGE IN FUND BALANCES	989,382	12,238,178	792,493	1,053,837	15,073,890
Fund Balance - Beginning	1,098,485	172,238	1,847,290	557,471	3,675,484
Fund Balance - Ending	\$ 2,087,867	\$ 12,410,416	\$ 2,639,783	\$ 1,611,308	\$ 18,749,374

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 DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Total Net Change in Fund Balances - Governmental Funds	\$ 15,073,890
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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.	
This is the amount by which depreciation exceeds capital outlays in the period.	
Depreciation expense	\$ (844,787)
Capital outlays	<u>2,766,788</u>
Net Expense Adjustment	1,922,001
Special education settlement received in current year that was recognized in prior year.	(11,853)
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).	(8,877)
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.	(365,363)
Payment of costs for the issuance of bonds is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net assets over the live of the bonds.	354,970
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 assets and does not affect the statement of activities.	963,564
Proceeds received from sale of general obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(14,999,934)
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.	(426,320)
Change in Net Assets of Governmental Activities	<u>\$ 2,502,078</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 213,049
LIABILITIES	
Due to student groups	\$ 213,049

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Piedmont Unified School 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, one middle, one high school, one continuation school, and an adult school.

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

Component Units

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

Joint Powers Agencies and Public Entity Risk Pools The District is associated with one joint powers agency and one public entity risk pool. These organizations do not meet the criteria for inclusion as component units of the District. These organizations are:

The Alameda County Schools Insurance Group (ACSIG), the Schools Excess Liability Fund (SELF), and the Bay Area Schools Insurance Group (BASIC) public entity risk pools.

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:

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California..

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and acquisition of major governmental capital facilities and buildings.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Special Reserve Fund for Other than Capital Outlay The Special Reserve Fund for Other than Capital Outlay is used to provide for the accumulation of General Fund monies for general operating purposes.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness tax levies to be financed from ad valorem tax levies.

Capital Projects Funds The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital projects funds:

Special Reserve Capital Outlay Fund The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is classified as agency funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 commercial 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 for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. 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.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset 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.

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

