

PIEDMONT UNIFIED SCHOOL DISTRICT

OF ALAMEDA COUNTY

PIEDMONT, CALIFORNIA

JUNE 30, 2009

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
June Monarch	President	2012
Ray Gadbois	Vice President	2010
Roy Tolles	Member	2010
Martha Jones	Member	2012
Richard Raushenbush	Member	2012

ADMINISTRATION

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

PIEDMONT UNIFIED SCHOOL DISTRICT

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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, 2009, 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 2008-09*, 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, 2009, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, 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 and budgetary comparison and other postemployment information as stated in the table of contents, 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.

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*, the Combining Statements – Non-Major Governmental Funds are presented for purposes of additional analysis and are 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 14, 2009

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

This section of Piedmont Unified School District's (the District) 2009 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. 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 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 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 the *Statement 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$2,089,160 for the fiscal year ended June 30, 2009. Of this amount, \$2,298,105 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2009	2008
Current and other assets	\$ 12,992,246	\$ 21,285,190
Capital assets	38,813,392	33,286,398
Total Assets	<u>51,805,638</u>	<u>54,571,588</u>
Current liabilities	5,006,689	7,315,188
Long-term liabilities	44,709,789	45,937,296
Total Liabilities	<u>49,716,478</u>	<u>53,252,484</u>
Net assets		
Invested in capital assets, net of related debt	(2,653,725)	(3,148,829)
Restricted	2,444,780	2,762,240
Unrestricted	2,298,105	1,705,693
Total Net Assets	<u>\$ 2,089,160</u>	<u>\$ 1,319,104</u>

The \$2,298,105 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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 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

	Governmental Activities	
	2009	2008
Revenues		
Program revenues		
Charges for services	\$ 180,061	\$ 510,294
Operating grants and contributions	2,844,710	3,595,507
General revenues:		
Federal and State aid	9,595,155	8,874,107
Property taxes	18,207,071	16,986,066
Other general revenues	4,145,418	4,007,415
Total Revenues	34,972,415	33,973,389
Expenses		
Instruction related	25,342,533	24,865,213
Student support services	1,724,669	1,545,154
Administration	1,763,144	1,964,612
Maintenance and operations	3,060,107	3,037,061
Other	2,311,906	2,144,745
Total Expenses	34,202,359	33,556,785
Change in Net Assets	\$ 770,056	\$ 416,604

Governmental Activities

As reported in the Statement of Activities on page 13, the cost of all of our governmental activities this year was \$34,202,359. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$18,207,071 because the cost was paid by those who benefited from the programs, \$180,061, or by other governments and organizations who subsidized certain programs with grants and contributions (\$2,844,710). We paid for the remaining "public benefit" portion of our governmental activities with \$9,595,155 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, 2009

Table 3

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$ 21,475,855	\$ 21,286,196	\$ 18,938,328	\$ 17,926,890
Instruction related activities	3,866,678	3,579,017	3,715,785	3,195,033
Pupil services	1,724,669	1,545,154	1,391,116	1,309,726
General administration	1,763,144	1,964,612	1,760,346	1,856,480
Plant services	3,060,107	3,037,061	3,060,107	3,018,110
Other	2,311,906	2,144,745	2,311,906	2,144,745
Totals	\$ 34,202,359	\$ 33,556,785	\$ 31,177,588	\$ 29,450,984

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$9,734,603, which is a decrease of \$5,726,969 from last year.

The primary reasons for the changes between 2008 and 2009 are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund remained stable increasing by \$733,749 because of a revenue limit deficit.
- 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 decreased \$6,345,332 primarily due to expenditures related to three capital projects in process.
- 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 \$162,133, primarily due to an increase in the collection of property taxes that will be used for repayment of the bonds and an increase in the principal and interest bond repayments due to the issuance of new bonds in the prior year.
- A decrease of \$277,519 in the fund balances for our other Non-major funds resulting mostly from our Deferred Maintenance fund; the District transferred out \$131,314 to the General fund (the prior-year match) per State-sanctioned Categorical Flexibility (Tier 3). Deferred Maintenance fund revenues are less and there are increases in expenditures.

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 24, 2009. 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 44.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2009

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 \$1,224,042, of which \$1,344,648 was due to Federal Stimulus ARRA fundings (SFSF and IDEA). Also, an increase in local support. Additionally, no transfer out to Deferred Maintenance fund; but instead a transfer back from Deferred Maintenance fund for the matching from previous year (2007-08).
- 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 \$511,952 and the actual net change in fund balance is an increase of \$598,920. Although revenues were \$1,224,042 more than expected, expenditures were \$799,542 more than originally projected. The District froze expenditures and monitored every transaction closely to control the budget during the State Budget crisis. Increases in revenue are from one-time local donations and new Federal programs.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had \$38,813,392 in a broad range of capital assets, including land and improvements, furniture and equipment, and construction in progress. This amount represents a net increase (including additions, deductions and depreciation) of \$5,526,994 from last year due to new expenditures related to the Maintenance shop, the Piedmont High School, Haven, Beach, and Wildwood Elementary site improvements and other district-wide projects.

Table 4

	Governmental Activities	
	2009	2008
Land and improvements	\$ 4,581,015	\$ 4,731,224
Buildings and improvements	21,765,470	22,417,511
Furniture and equipment	167,696	189,857
Construction in progress	12,299,211	5,947,806
Totals	\$ 38,813,392	\$ 33,286,398

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

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2009

Long-Term Obligations

At the end of this year, the District had \$46,294,898 of long term debt outstanding versus \$47,282,405 last year, a decrease of 2 percent. The long term obligations outstanding consisted of:

Table 5

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 45,592,605	\$ 46,600,139
General obligation bond premiums	490,921	521,030
Accumulated vacation	211,372	161,236
Totals	\$ 46,294,898	\$ 47,282,405

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

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-09 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, 2009 and with the Teachers’ Association through June 30, 2011.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

In considering the District Budget for the 2009-10 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Effective July 1, 2009, the Parcel Taxes B & C will increase 5% over the level of 2007-08. Additionally, there will be a new “Emergency” Parcel Tax – Measure E for \$997,000 to help balance the cuts in Revenue Limit and State revenues effective through 2012 pending Board approval.
2. Revenue limit income will increase 4.25% based on ADA P-2 at June 30, 2009, (based on information provided by California School Services) with a deficit of 18.355%; ADA is projected slightly higher from the previous year.
3. Interest earnings reduced significantly from 3.60% to 0.67% per California School Services’ Dartboard advice.
4. Federal income increases are due to Stimulus Federal funding and State Categorical program decreases at 4.6% COLA.
5. A transfer of approximately \$530,000 from Parcel Tax Reserve fund to General fund.
6. A transfer of \$120,000 from Adult Education fund to General fund for support costs. An increase of \$87,800 from the previous year.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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@piedmont.k12.ca.us.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2009

	Governmental Activities
ASSETS	
Deposits and investments	\$ 8,546,136
Receivables	3,576,449
Prepaid expenses	347,247
Deferred charges	513,800
Capital assets not depreciated	12,634,234
Capital assets, net of accumulated depreciation	26,179,158
Net OPEB asset	8,614
Total Assets	51,805,638
LIABILITIES	
Accounts payable	2,711,712
Interest payable	709,868
Current portion of long-term obligations	1,585,109
Noncurrent portion of long-term obligations	44,709,789
Total Liabilities	49,716,478
NET ASSETS	
Invested in capital assets, net of related debt	(2,653,725)
Restricted for:	
Debt service	1,755,516
Educational programs	111,698
Special revenue	577,566
Unrestricted	2,298,105
Total Net Assets	\$ 2,089,160

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 21,475,855	\$ -	\$ 2,537,527	\$ (18,938,328)
Instruction-related activities:				
Supervision of instruction	622,238	-	-	(622,238)
Instructional library, media, and technology	597,849	-	-	(597,849)
School site administration	2,646,591	-	150,893	(2,495,698)
Pupil services:				
Home-to-school transportation	89,438	-	15,192	(74,246)
Food services	198,601	180,061	6,829	(11,711)
All other pupil services	1,436,630	-	131,471	(1,305,159)
General administration:				
Data processing	260,493	-	-	(260,493)
All other general administration	1,502,651	-	2,798	(1,499,853)
Plant services	3,060,107	-	-	(3,060,107)
Ancillary services	288,914	-	-	(288,914)
Interest on long-term obligations	2,022,992	-	-	(2,022,992)
Total Governmental-Type Activities	\$ 34,202,359	\$ 180,061	\$ 2,844,710	(31,177,588)
General revenues and subventions:				
				7,267,933
Property taxes, levied for general purposes				3,181,973
Property taxes, levied for debt service				7,757,165
Taxes levied for other specific purposes				9,595,155
Federal and State aid not restricted to specific purposes				135,239
Interest and investment earnings				4,010,179
Miscellaneous				
			Subtotal, General Revenues	31,947,644
			Change in Net Assets	770,056
			Net Assets - Beginning	1,319,104
			Net Assets - Ending	\$ 2,089,160

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 1,090,601	\$ 3,915,109	\$ 2,460,084	\$ 1,080,342	\$ 8,546,136
Receivables	3,327,099	5,780	5,300	214,753	3,552,932
Due from other funds	30,000	-	-	50,786	80,786
Prepaid expenses	-	347,247	-	-	347,247
Total Assets	\$ 4,447,700	\$ 4,268,136	\$ 2,465,384	\$ 1,345,881	\$ 12,527,101
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,517,455	\$ 1,145,554	\$ -	\$ 48,703	\$ 2,711,712
Due to other funds	50,786	-	-	30,000	80,786
Total Liabilities	1,568,241	1,145,554	-	78,703	2,792,498
Fund Balances:					
Reserved for:					
Legally restricted balances	111,698	-	-	-	111,698
Other reservations	25,000	347,247	-	-	372,247
Unreserved:					
Designated	869,432	-	-	100,000	969,432
Undesignated, reported in:					
General Fund	1,873,329	-	-	-	1,873,329
Special revenue funds	-	-	-	1,111,138	1,111,138
Debt service funds	-	-	2,465,384	-	2,465,384
Capital projects funds	-	2,775,335	-	56,040	2,831,375
Total Fund Balance	2,879,459	3,122,582	2,465,384	1,267,178	9,734,603
Total Liabilities and Fund Balances	\$ 4,447,700	\$ 4,268,136	\$ 2,465,384	\$ 1,345,881	\$ 12,527,101

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, 2009**

Total Fund Balance - Governmental Funds	\$ 9,734,603
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	\$52,168,064
Accumulated depreciation is	<u>(13,354,672)</u>
Net Capital Assets	38,813,392
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.	513,800
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.	(709,868)
In the governmental funds, the receipt of the special education mandated settlement is reported as revenue in the year received. In the government-wide statements, the settlement is recorded as a receivable and payments received in the current year reduce the receivable amount.	23,517
Long-term asset at year end consists of:	
Net OPEB asset	8,614
Long-term liabilities at year end consist of:	
Bonds payable	(45,592,605)
Compensated absences (vacations)	(211,372)
Bond premium net of amortization	<u>(490,921)</u>
Total Long-Term Liabilities	(46,294,898)
Total Net Assets - Governmental Activities	<u>\$ 2,089,160</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, 2009**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 14,294,635	\$ -	\$ -	\$ 283,543	\$ 14,578,178
Federal sources	1,622,416	-	-	6,568	1,628,984
Other state sources	2,824,403	-	23,950	168,930	3,017,283
Other local sources	11,656,236	241,538	3,184,581	677,468	15,759,823
Total Revenues	30,397,690	241,538	3,208,531	1,136,509	34,984,268
EXPENDITURES					
Current					
Instruction	20,437,019	-	-	494,304	20,931,323
Instruction-related activities:					
Supervision of instruction	605,689	-	-	-	605,689
Instructional library, media and technology	581,949	-	-	-	581,949
School site administration	2,329,682	-	-	246,520	2,576,202
Pupil services:					
Home-to-school transportation	87,059	-	-	-	87,059
Food services	1,376	-	-	191,943	193,319
All other pupil services	1,398,421	-	-	-	1,398,421
General administration:					
Data processing	253,565	-	-	-	253,565
All other general administration	1,430,486	-	-	32,200	1,462,686
Plant services	2,392,294	235,465	-	302,159	2,929,918
Facility acquisition and construction	-	6,351,405	-	12,073	6,363,478
Ancillary services	281,230	-	-	-	281,230
Debt service					
Principal	-	-	1,315,000	-	1,315,000
Interest and other	-	-	1,731,398	-	1,731,398
Total Expenditures	29,798,770	6,586,870	3,046,398	1,279,199	40,711,237
Excess (Deficiency) of Revenues Over Expenditures	598,920	(6,345,332)	162,133	(142,690)	(5,726,969)
Other Financing Sources (Uses):					
Transfers in	134,829	-	-	-	134,829
Transfers out	-	-	-	(134,829)	(134,829)
Net Financing Sources (Uses)	134,829	-	-	(134,829)	-
NET CHANGE IN FUND BALANCES	733,749	(6,345,332)	162,133	(277,519)	(5,726,969)
Fund Balance - Beginning	2,145,710	9,467,914	2,303,251	1,544,697	15,461,572
Fund Balance - Ending	\$ 2,879,459	\$ 3,122,582	\$ 2,465,384	\$ 1,267,178	\$ 9,734,603

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

PIEDMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balance - Governmental Funds	\$ (5,726,969)
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 capital outlays exceeds depreciation expense in the period.	
Depreciation expense	\$ (836,484)
Capital outlays	<u>6,363,478</u>
Net Expense Adjustment	5,526,994
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).	(50,136)
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.	30,109
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.	(34,924)
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.	1,315,000
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.	(286,779)
In the statement of activities, overfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.	8,614
Change in Net Assets of Governmental Activities	<u><u>\$ 770,056</u></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, 2009**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 211,941
LIABILITIES	
Due to student groups	\$ 211,941

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 schools, one middle school, one high school, one continuation school, and an adult school.

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

Component Units

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

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).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (Education Code Section 42840).

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

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 fund reporting focuses on net assets and changes in net assets. The fiduciary fund category includes agency funds.

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

Basis of Accounting - Measurement Focus

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 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 and proprietary fund 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 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

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, 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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, 2009

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 improvement and building. 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 assets. 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 assets, except for the net residual amounts due between governmental activities, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. 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, 2009

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

Deferred Issuance Costs, Premiums and Discounts

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

Fund Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, prepaid expenditures (expenses) and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, there are no such revenues. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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

Property Tax

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

Changes in Accounting Principles

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide OPEB as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District has an annual required contribution of \$403,927 for the year ended June 30, 2009, and made a contribution of \$412,541 resulting in an OPEB asset of \$8,614.

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 8,546,136
Fiduciary funds	211,941
Total Deposits and Investments	<u>\$ 8,758,077</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 211,941
Cash in revolving fund	25,000
Investments	8,521,136
Total Deposits and Investments	<u>\$ 8,758,077</u>

Policies and Practices

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, 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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2009

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 pools 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	\$ 7,592,607	0.83
State Investment Pool	928,529	0.64
Total	<u>\$ 8,521,136</u>	

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 and LAIF are not required to be rated, nor have they been rated as of June 30, 2009.

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, 2009.

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, 2009, none of the District's 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 state and county investment pools.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 536,534	\$ -	\$ -	\$ 2,207	\$ 538,741
State Government					
Apportionment	1,128,101	-	-	192,509	1,320,610
Categorical aid	145,555	-	-	-	145,555
Lottery	172,487	-	-	-	172,487
Other State	595,535	-	-	-	595,535
Local Government					
Interest	18,635	5,780	5,300	5,027	34,742
Other local sources	730,252	-	-	15,010	745,262
Total	<u>\$3,327,099</u>	<u>\$ 5,780</u>	<u>\$ 5,300</u>	<u>\$ 214,753</u>	<u>\$ 3,552,932</u>

Additional long term receivables include \$23,517 for a special education settlement with payments expected to be received annually over the next two years.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 335,023	\$ -	\$ -	\$ 335,023
Construction in Progress	5,947,806	6,351,405	-	12,299,211
Total Capital Assets Not Being Depreciated	6,282,829	6,351,405	-	12,634,234
Capital Assets Being Depreciated:				
Land Improvements	5,767,569	-	-	5,767,569
Buildings and Improvements	32,963,115	-	-	32,963,115
Furniture and Equipment	796,073	12,073	5,000	803,146
Total Capital Assets Being Depreciated	39,526,757	12,073	5,000	39,533,830
Total Capital Assets	45,809,586	6,363,478	5,000	52,168,064
Less Accumulated Depreciation:				
Land Improvements	1,371,368	150,209	-	1,521,577
Buildings and Improvements	10,545,604	652,041	-	11,197,645
Furniture and Equipment	606,216	34,234	5,000	635,450
Total Accumulated Depreciation	12,523,188	836,484	5,000	13,354,672
Governmental Activities Capital Assets, Net	\$ 33,286,398	\$5,526,994	\$ -	\$ 38,813,392

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

Governmental Activities		
Instruction		\$ 553,146
Supervision of instruction		16,549
Instructional library, media, and technology		15,900
School site administration		70,389
Home-to-school transportation		2,379
Food services		5,282
All other pupil services		38,209
Ancillary		7,684
Data processing		6,928
All other general administration		39,965
Plant services		80,053
Total Depreciation Expenses Governmental Activities		<u>\$ 836,484</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009, between major and non-major governmental funds, are as follows:

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 30,000	\$ 30,000
Non-Major Governmental Funds	50,786	-	50,786
Total	\$ 50,786	\$ 30,000	\$ 80,786

All balance 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, 2009, consisted of the following:

Transfer To	Transfer From	
	Non-Major Governmental Funds	Total
General Fund	\$ 134,829	\$ 134,829
Total	\$ 134,829	\$ 134,829

The Deferred Maintenance Fund transferred to the General Fund to reverse District match.	\$ 131,314
The Special Reserve - Capital Outlay fund transferred to the General Fund for art projects.	3,515
Total	\$ 134,829

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, 2009

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,446,625	\$ 1,145,554	\$ 28,188	\$ 2,620,367
State apportionment	70,830	-	20,515	91,345
Total	<u>\$ 1,517,455</u>	<u>\$ 1,145,554</u>	<u>\$ 48,703</u>	<u>\$ 2,711,712</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, 2008	Additions	Accretions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$ 46,600,139	\$ -	\$ 307,466	\$ 1,315,000	\$ 45,592,605	\$ 1,555,000
Add: Bond premium, net	521,030	-	-	30,109	490,921	30,109
Subtotal	47,121,169	-	307,466	1,345,109	46,083,526	1,585,109
Accumulated vacation - net	161,236	50,136	-	-	211,372	-
	<u>\$ 47,282,405</u>	<u>\$ 50,136</u>	<u>\$ 307,466</u>	<u>\$ 1,345,109</u>	<u>\$ 46,294,898</u>	<u>\$ 1,585,109</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation is 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, 2008			Bonds Outstanding June 30, 2009	
				Issued	Accretions	Redeemed		
6/15/2001	8/1/2018	2.5-5.25%	\$17,225,000	\$ 14,515,000	\$ -	\$ -	\$ 620,000	\$ 13,895,000
1/11/2005	8/1/2020	3.0-4.0%	\$18,415,000	16,595,000	-	-	625,000	15,970,000
7/27/2006	8/1/2031	4.0-6.5%	\$14,999,934	15,490,139	-	307,466	70,000	15,727,605
				<u>\$46,600,139</u>	<u>\$ -</u>	<u>\$307,466</u>	<u>\$1,315,000</u>	<u>\$ 45,592,605</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Debt Service Requirements to Maturity

The bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 1,555,000	\$ 1,673,496	\$ 3,228,496
2011	1,770,000	1,609,034	3,379,034
2012	2,018,807	1,582,964	3,601,771
2013	2,270,281	1,502,778	3,773,059
2014	2,494,222	1,419,574	3,913,796
2015-2019	17,284,561	4,997,218	22,281,779
2020-2024	10,555,000	1,409,804	11,964,804
2025-2029	4,690,673	4,804,527	9,495,200
2030-2032	2,111,390	5,018,610	7,130,000
Total	<u>44,749,934</u>	<u>\$ 24,018,005</u>	<u>\$ 68,767,939</u>
Accretions to date	842,671		
Total	<u>\$ 45,592,605</u>		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$211,372.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2009, was \$403,927 and contributions made by the District during the year were \$412,541, which resulted in a net OPEB asset of \$8,614. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 8 – DEFEASED DEBT

On June 1, 2001 and January 11, 2005, the District had defeased various capital appreciation bonds by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's long-term obligations. As of June 30, 2009, the amount of defeased debt outstanding but removed from the long-term obligations amounted to \$8,030,439.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 9 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Prepaid expenditures	-	347,247	-	-	347,247
Restricted programs	111,698	-	-	-	111,698
Total Reserved	<u>136,698</u>	<u>347,247</u>	<u>-</u>	<u>-</u>	<u>483,945</u>
Unreserved					
Designated					
Economic uncertainties	869,432	-	-	-	869,432
Other designation	-	-	-	100,000	100,000
Total Designated	<u>869,432</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>969,432</u>
Undesignated	1,873,329	2,775,335	2,465,384	1,167,178	8,281,226
Total Unreserved	<u>2,742,761</u>	<u>2,775,335</u>	<u>2,465,384</u>	<u>1,267,178</u>	<u>9,250,658</u>
Total	<u>\$ 2,879,459</u>	<u>\$ 3,122,582</u>	<u>\$ 2,465,384</u>	<u>\$ 1,267,178</u>	<u>\$ 9,734,603</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 10 - 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 51 retirees and beneficiaries currently receiving benefits and 325 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 65*	To Medicare Age**	To Medicare age***
Required Service	10 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	Yes	No*	No*
District Contribution %	100%	100%	100%
District Cap	Least costly single coverage	Least costly single coverage	Least costly single coverage

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

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

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

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2008-09, the District contributed \$412,541 to the plan, all of which was used for current premiums (approximately 102 percent of current year's annual required contributions).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Annual OPEB Cost and Net OPEB 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	\$ (403,927)
Contributions made	412,541
Increase in net OPEB asset	<u>8,614</u>
Net OPEB asset, beginning of year	-
Net OPEB asset, end of year	<u><u>\$ 8,614</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2009 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Asset
<u>2009</u>	<u>\$ 403,927</u>	<u>102%</u>	<u>\$ 8,614</u>

Funded Status and Funding Progress

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. Since this is year of implementation, only the current year information is presented.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

In the April 1, 2009, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4 percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 3 percent annual increase in payroll. The remaining amortization period at August 6, 2009, was 30 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 11 - 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, 2009, the District contracted with Alameda County Schools Insurance Group JPA (ACSIG) 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 2009, 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.

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

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 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, 2009, 2008, and 2007, were \$1,256,629, \$1,201,832, and \$1,154,662, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 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, 2009, 2008, and 2007, were \$410,442, \$390,763, and \$367,885, respectively, and equal 100 percent of the required contributions for each year.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 \$686,373 (4.517 percent of annual payroll). 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.

NOTE 13 - 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, 2009.

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, 2009.

Operating Lease

The District has entered into an operating lease for the use of a school site to conduct its elementary and adult school education while a building owned by the District is under reconstruction. The original term of the lease is for sixteen months expiring in June 2010. The lease agreement includes provisions for exercising three options which would extend the lease through June 2013. This agreement does not contain a purchase option. The lease agreement includes a termination clause that in the event of a breach of the agreement or noncompliance by either party, the non-defaulting party may terminate the agreement with thirty days written notice. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Lease Payment
<u>2010</u>	<u>\$ 375,000</u>
Total	<u>\$ 375,000</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Construction Commitments

As of June 30, 2009, 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>
Havens Elementary School Campus Replacement	<u>\$ 20,500,000</u> <u>\$ 20,500,000</u>	08/15/09

Supplementary Early Retirement Plan

The District implemented a supplementary early retirement plan (the "Plan") during the year ended June 30, 2009. Eligible employees must have reached Step 22, Column F on the PUSD teacher salary schedule by June 30, 2009, have a minimum of 25 years of qualified public school service credit, have a minimum of ten years of service with the District, be eligible to retire under the State Teachers Retirement System (CalSTRS), and have applied for benefits under the Plan. The District funds the supplemental benefit for each Plan participant through employer contributions of \$22,000 for a full-time employee and a prorated amount for a part-time employee over a two year period. Employer contributions for the year ended June 30, 2009 were \$78,200. The remaining \$78,200 will be paid in 2009-2010.

NOTE 14 - 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, 2009 the District made payments of \$453,443 to Alameda County Schools Insurance Group for workers' compensation, property, and liability insurance coverage.

NOTE 15 – FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 16 – SUBSEQUENT EVENTS

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances. The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpected or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-2010 re-appropriation should not be accrued. However, since the amounts were not material to the District, no adjustments were made to these financial statements.

In October 2009, the District issued \$19,000,000 in general obligation bonds as authorized under the 2006 election. The bonds have maturity dates beginning August 2010 through August 2034 with interest rates of 1.0 percent to 5.0 percent. The bonds will be used to finance the repair, replacement or reconstruction of Piedmont public school buildings.

In October 2009, the District issued \$13,145,000 in general obligation refunding bonds to refund the outstanding principal amount of the 2001 refunding bonds. The bonds have maturity dates beginning August 2010 through August 2018 with interest rates of 2.0 percent to 3.0 percent.

REQUIRED SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		Final (Negative) to Actual
REVENUES				
Revenue limit sources	\$ 13,232,353	\$ 14,294,635	\$ 14,294,635	\$ -
Federal sources	880,777	1,622,416	1,622,416	-
Other State sources	2,074,601	2,138,031	2,824,403	686,372
Other local sources	12,299,545	11,656,236	11,656,236	-
Total Revenues¹	28,487,276	29,711,318	30,397,690	686,372
EXPENDITURES				
Current				
Instruction	19,403,881	19,750,648	20,437,019	(686,371)
Instruction-related activities:				
Supervision of instruction	755,462	579,484	605,689	(26,205)
Instructional library, media, and technology	1,030,384	956,094	581,949	374,145
School site administration	1,975,110	1,981,742	2,329,682	(347,940)
Pupil services:				
Home-to-school transportation	57,429	87,059	87,059	-
Food services	-	-	1,376	(1,376)
All other pupil services	1,438,148	1,399,797	1,398,421	1,376
General administration:				
Data processing	265,873	247,075	253,565	(6,490)
All other general administration	1,382,361	1,436,975	1,430,486	6,489
Plant services	2,413,744	2,392,294	2,392,294	-
Ancillary services	276,836	281,230	281,230	-
Total Expenditures¹	28,999,228	29,112,398	29,798,770	(686,372)
Excess (Deficiency) of Revenues Over Expenditures	(511,952)	598,920	598,920	-
Other Financing Sources (Uses):				
Transfers in	538,006	134,829	134,829	-
Net Financing Sources (Uses)	538,006	134,829	134,829	-
NET CHANGE IN FUND BALANCES	26,054	733,749	733,749	-
Fund Balance - Beginning	2,145,710	2,145,710	2,145,710	-
Fund Balance - Ending	\$ 2,171,764	\$ 2,879,459	\$ 2,879,459	\$ -

¹ On behalf payments of \$686,373 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2009	\$ -	\$ 4,249,446	\$ 4,249,446	\$ -	\$ 20,878,079	20%

SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

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 II - Part A, Improving Teacher Quality	84.367	14341	\$ 40,658
Title II - Part D Enhancing Education Through Technology	84.318	14334	496
Title III - Limited English Proficiency (LEP) Student Program	84.365	10084	7,261
Title IV - Part A, Safe and Drug Free Schools and Communities	84.186	14347	4,989
Title V - Part A, Innovative Education Strategies	84.298A	14354	2,937
Elementary and Secondary Education Act			
NCLB: Title I, Part A - Basic Grants Low Income and Neglected	84.010	14981	50,067
ARRA: State Fiscal Stabilization Fund	84.394	25008	899,164
Special Education - State Grants			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	500,226
ARRA: IDEA Local Assistance	84.391	15003	94,707
IDEA Preschool Local Entitlement Part B, Sec 611	84.027A	13682	7,963
ARRA: Part B, Sec 611, Preschool Local Entitlement	84.391	15000	3,801
IDEA Preschool Grants Part B, Sec 619	84.173	13430	5,108
ARRA: IDEA: Part B, Sec 619, Preschool Grants	84.392	15002	5,038
Total U.S. Department of Education			<u>1,622,415</u>
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition, School Programs-Lunch and Breakfast	10.553	13390	6,569
Total U.S. Department of Agriculture			<u>6,569</u>
Total Expenditures of Federal Awards			<u>\$ 1,628,984</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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>
June Monarch	President	2012
Ray Gadbois	Vice President	2010
Roy Tolles	Member	2010
Martha Jones	Member	2012
Richard Raushenbush	Member	2012

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, 2009**

	Second Period Report	Revised Annual Report
ELEMENTARY		
Kindergarten	172	173
First through third	505	505
Fourth through sixth	571	571
Seventh and eighth	378	376
Home and hospital	-	-
Special education	4	4
Total Elementary	1,630	1,629
SECONDARY		
Regular classes	759	756
Continuation education	79	78
Home and hospital	2	2
Special education	6	6
Total Secondary	846	842
Total K-12	2,476	2,471
CLASSES FOR ADULTS		
Concurrently enrolled	42	37
Not concurrently enrolled	84	85
Total Classes for Adults	126	122
Grand Total	2,602	2,593
		Hours of Attendance
SUMMER SCHOOL		
Elementary		1,338
High school		12,377
Total Hours		13,715

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

Grade Level	1982-83	1986-87	2008-2009	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	36,000	36,000	180	N/A	In Compliance
Grade 1	41,780	50,400	51,750	180	N/A	In Compliance
Grade 2	41,780	50,400	51,750	180	N/A	In Compliance
Grade 3	41,780	50,400	51,750	180	N/A	In Compliance
Grade 4	50,420	54,000	54,339	180	N/A	In Compliance
Grade 5	50,420	54,000	54,339	180	N/A	In Compliance
Grade 6	50,420	54,000	66,200	180	N/A	In Compliance
Grade 7	65,300	54,000	67,080	180	N/A	In Compliance
Grade 8	65,300	54,000	67,080	180	N/A	In Compliance
Grade 9	65,165	64,800	66,380	180	N/A	In Compliance
Grade 10	65,165	64,800	66,380	180	N/A	In Compliance
Grade 11	65,165	64,800	66,380	180	N/A	In Compliance
Grade 12	65,165	64,800	66,380	180	N/A	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, 2009

Summarized below is the reconciliation between the Unaudited Actual Financial Report Fund Balance and the audited financial statements.

	<u>Building Fund</u>
FUND BALANCE	
Balance, June 30, 2009, Unaudited Actuals	\$ 2,935,082
Increase in:	
Prepaid expenses	187,500
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 3,122,582</u>

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, 2009, Unaudited Actuals	\$ 38,995,892
Decrease in:	
Construction in progress	(187,500)
Accumulated depreciation	5,000
Total Capital Assets, June 30, 2009, Audited Financial Statement	<u>\$ 38,813,392</u>

FORM DEBT	
Total Long-Term Liabilities, June 30, 2009, Unaudited Actuals	\$ 45,496,511
Increase in:	
General Obligation Bonds	798,387
Total Long-Term Liabilities, June 30, 2009, Audited Financial Statement	<u>\$ 46,294,898</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

	(Budget) 2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues ³	\$ 28,066,725	\$ 29,711,317	\$ 28,916,940	\$ 28,384,099
Other sources and transfers in	296,460	134,829	3,490	1,338
Total Revenues and Other Sources	28,363,185	29,846,146	28,920,430	28,385,437
Expenditures ³	29,184,102	29,112,397	28,712,587	26,761,055
Other uses and transfers out	-	-	150,000	635,000
Total Expenditures and Other Uses	29,184,102	29,112,397	28,862,587	27,396,055
INCREASE (DECREASE) IN FUND BALANCE	\$ (820,917)	\$ 733,749	\$ 57,843	\$ 989,382
ENDING FUND BALANCE	\$ 2,058,542	\$ 2,879,459	\$ 2,145,710	\$ 2,087,867
AVAILABLE RESERVES²	\$ 2,455,416	\$ 3,276,333	\$ 2,417,872	\$ 1,657,502
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	8.41%	11.53%	8.38%	6.05%
LONG-TERM DEBT	\$ 44,709,789	\$ 46,294,898	\$ 47,282,405	\$ 48,206,766
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,485	2,476	2,483	2,518

The General Fund balance has increased by \$791,592 over the past two years. The fiscal year 2009-2010 budget projects a decrease of \$820,917 (29 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 operating surpluses in all of the past three years and anticipates incurring an operating deficit during the 2009-2010 fiscal year.

Average daily attendance has decreased by 42 over the past two years. An increase of 9 ADA is anticipated during fiscal year 2009-2010.

¹ Budget 2010 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, Special Reserve Fund (other than capital outlay).

³ On-behalf payments of \$686,373, \$656,364, and \$630,131, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2009, 2008, and 2007.

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 13,077	\$ 18,894	\$ 356,509
Receivables	450	17,244	194,309
Due from other funds	50,786	-	-
Total Assets	\$ 64,313	\$ 36,138	\$ 550,818
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 26,492	\$ 2,532	\$ 14,679
Due to other funds	-	30,000	-
Total Liabilities	26,492	32,532	14,679
Fund Balances:			
Unreserved:			
Designated	-	-	-
Undesignated, reported in:			
Special revenue funds	37,821	3,606	536,139
Capital projects funds	-	-	-
Total Fund Balance	37,821	3,606	536,139
Total Liabilities and Fund Balances	\$ 64,313	\$ 36,138	\$ 550,818

See accompanying note to supplementary information.

Special Reserve Non-Capital Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
\$ 631,112	\$ 60,750	\$ 1,080,342
2,460	290	214,753
-	-	50,786
<u>\$ 633,572</u>	<u>\$ 61,040</u>	<u>\$ 1,345,881</u>
\$ -	\$ 5,000	\$ 48,703
-	-	30,000
-	5,000	78,703
100,000	-	100,000
533,572	-	1,111,138
-	56,040	56,040
<u>633,572</u>	<u>56,040</u>	<u>1,267,178</u>
<u>\$ 633,572</u>	<u>\$ 61,040</u>	<u>\$ 1,345,881</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 283,543	\$ -	\$ -
Federal sources	-	6,568	-
Other state sources	2,692	-	166,238
Other local sources	472,062	183,540	7,699
Total Revenues	758,297	190,108	173,937
EXPENDITURES			
Current			
Instruction	494,304	-	-
Instruction-related activities:			
School site administration	246,520	-	-
Pupil services:			
Food services	-	191,943	-
All other general administration	32,200	-	-
Plant services	75	-	295,404
Facility acquisition and construction	-	-	12,073
Total Expenditures	773,099	191,943	307,477
Excess (Deficiency) of Revenues Over Expenditures	(14,802)	(1,835)	(133,540)
Other Financing Sources (Uses):			
Transfers out	-	-	(131,314)
Net Financing Sources (Uses)	-	-	(131,314)
NET CHANGE IN FUND BALANCES	(14,802)	(1,835)	(264,854)
Fund Balance - Beginning	52,623	5,441	800,993
Fund Balance - Ending	\$ 37,821	\$ 3,606	\$ 536,139

See accompanying note to supplementary information.

Special Reserve Non-Capital Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 283,543
-	-	6,568
-	-	168,930
9,438	4,729	677,468
<u>9,438</u>	<u>4,729</u>	<u>1,136,509</u>
-	-	494,304
-	-	246,520
-	-	191,943
-	-	32,200
-	6,680	302,159
-	-	12,073
<u>-</u>	<u>6,680</u>	<u>1,279,199</u>
9,438	(1,951)	(142,690)
<u>(3,515)</u>	<u>-</u>	<u>(134,829)</u>
<u>(3,515)</u>	<u>-</u>	<u>(134,829)</u>
5,923	(1,951)	(277,519)
627,649	57,991	1,544,697
<u>\$ 633,572</u>	<u>\$ 56,040</u>	<u>\$ 1,267,178</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

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 Balance

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Piedmont Unified School District
Piedmont, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piedmont Unified School District as of and for the year ended June 30, 2009, which collectively comprise Piedmont Unified School District's basic financial statements and have issued our report thereon dated December 15, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Piedmont Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Piedmont Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Piedmont Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2009-1 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Piedmont Unified School District
Piedmont, California

Compliance

We have audited the compliance of Piedmont Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Piedmont Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Piedmont Unified School District's management. Our responsibility is to express an opinion on Piedmont Unified School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Piedmont Unified School District's compliance with those requirements.

In our opinion, Piedmont Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Piedmont Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Piedmont Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Piedmont Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2009



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Piedmont Unified School District
Piedmont, California

We have audited 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, 2009, and have issued our report thereon dated December 15, 2009. 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 2008-2009*, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Piedmont Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Piedmont Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:	8	Yes
Attendance reporting	23	Yes
Independent study	10	Yes
Continuation education		
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes, See below
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

	Procedures in Audit Guide	Procedures Performed
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter school with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After schools	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporary records of attendance		Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	1	Not Applicable
Determination of funding for non classroom-based instruction	15	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable
	3	

We performed testing of procedure (a) only for Instructional Materials general requirements, as additional procedures were not determined to be required.

Based on our audit, we found that for the items tested, the Piedmont Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Piedmont Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Piedmont Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIEDMONT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84,027A, 84.173, 84.391, 84.392	Special Education Cluster
<u>84.394</u>	<u>ARRA: State Stabilization Fund</u>

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

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

The following findings represent significant deficiencies related to the financial statements that are 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>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2009-1 Internal Control - Associated Student Body - 30000

Criteria or Specific Requirements

Strong internal controls over the financial reporting of the Associated Student Body (ASB) accounts should include the concepts of segregation of duties. Segregation of duties enhances the ability to safeguard assets by providing for a system that is designed to prevent or detect errors or misappropriation.

Condition

Significant Deficiency - During our review of the ASB accounts at Piedmont Middle School and Millennium High School in the current year and Piedmont High School in the prior year, 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 alternate tracking systems should be used for moneys collected,
- 24 checks dated September 2008 were not deposited as of March 2009,
- The ASB bookkeeper is an authorized signer on the checks,
- The ASB bookkeeper approves disbursements,
- 4 out of 12 disbursements tested did not have supporting documents attached and the documents were unable to be located during our visit,
- None of the disbursements tested had receiving documentation,
- As of March 2009, bank reconciliations had not been performed since November 2008,
- We did not observe any evidence of an independent review of the bank reconciliations.

Millennium High School

- Pre-numbered receipts are not used for moneys collected,
- The ASB bookkeeper is an authorized signer on the checks,
- 6 out of 19 reimbursement requests tested did not have receipts attached,
- None of the disbursements tested had receiving documentation.

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Questioned costs

None

Context

All ASB transactions processed at Piedmont Middle School, Millennium High School, and Piedmont High School.

Effect

The ASB financial accounting structure may not detect errors or misappropriation of ASB funds. Older outstanding checks may indicate inaccurate financial records as the checks may have been replaced or may need to be voided.

Cause

The policies and procedures for accounting for these ASB funds that are designed to require an after the fact review of the activity by a second individual do not appear to be operating effectively.

Recommendation

While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of individual ASB transactions, a mitigating control that may help to limit opportunities for errors or misappropriations to occur would be to have a second individual perform a monthly review of the checkbook activity and bank reconciliations and to implement procedures to address the internal control items noted above.

District Response

Piedmont Middle School

Upon discussions with site administrators and review of site documents, the District is satisfied that all ASB expenditures are appropriate. With respect to areas highlighted, the District responses are as follows:

- Numbered receipt lists are maintained by individual classroom teachers when collecting funds from students (numbered receipt books are impractical).
- ASB authorized signatures will change to conform to requirements stated
- Site administrators confirm the finding of the audit team related to attachment of supporting documentation and receiving documentation.
- Independent review of bank reconciliations will be confirmed through site principal with date and signature.

Millennium High School

With respect to areas highlighted, the District responses are as follows:

- Numbered receipt lists will be maintained on site, confirming the findings of the audit team.
- ASB authorized signatures will change to conform to requirements stated.
- The site confirms the findings of the audit team related to attachment of receipts, and will reimburse the ASB fund for the amounts where receipts were not available, thus removing any possibility of expenditures being inadvertently charged to ASB.

PIEDMONT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

PIEDMONT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

2008-1 Internal Control - Associated Student Body - 30000

Criteria or Specific Requirements

Strong internal controls over the financial reporting of the Associated Student Body (ASB) accounts should include the concepts of segregation of duties. Segregation of duties enhances the ability to safeguard assets by providing for a system that is designed to prevent or detect errors or misappropriation.

Condition

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

Piedmont High School

- 4 out of 23 invoices supporting the disbursements did not agree to amount paid. The amounts paid were greater than the supporting invoices,
- 7 out of 23 disbursements were missing the appropriate three signatures for approval,
- 3 out of 23 disbursements did not have supporting documents attached and the documents were unable to be located during our visit,
- We did not observe any evidence of an independent review of the bank reconciliations,
- We noted 4 stale dated checks over a year old.

Millennium High School

- Pre-numbered receipts are not used for moneys collected,
- The ASB bookkeeper is an authorized signer on the checks,
- 2 out of 6 reimbursement requests tested did not have receipts attached,
- None of the disbursements tested contained the required 3 signatures,
- None of the disbursements tested had receiving documentation.

Questioned costs

None

Context

All ASB transactions processed at Piedmont High School and Millennium High School

Effect

The ASB financial accounting structure may not detect errors or misappropriation of ASB funds. Older outstanding checks may indicate inaccurate financial records as the checks may have been replaced or may need to be voided.

Cause

The policies and procedures for accounting for these ASB funds were not designed to require review of activity by a second individual.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of individual ASB transactions, a mitigating control that may help to limit opportunities for errors or misappropriations to occur would be to have a second individual perform a monthly review of the checkbook activity and bank reconciliations and to implement procedures to address the internal control items noted above.

Current Status

Not implemented. See 2009-1 in Current Year Financial Statement Findings.

2008-2 Internal Control – Capital Assets- 30000

Criteria or Specific Requirements

Strong internal controls over the financial reporting of the District accounts should include the accurate tracking of equipment and other capital assets for purposes of verifying existence, and recording conversion entries so that accurate district-wide financial statements may be prepared.

Condition

Significant Deficiency - During our review of the District's capital assets, we noted that there were errors in the tracking of fixed asset additions and the calculation of accumulated depreciation. We also noted that the physical inventory listing prepared by the facilities department was not reconciled to the capital asset summary worksheet used for financial reporting.

Questioned Costs

None

Context

The capital assets of the District are approximately \$46 million and accumulated depreciation is approximately \$12 million.

Effect

The District financial accounting structure may not detect errors in capitalizing of capital assets or recording of inappropriate amounts of depreciation.

Cause

The policies and procedures for accounting for the District capital asset transactions were not designed to require review of activity by a second individual.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

Due to the level of increasing dollars involved in building projects and the tracking of such, we recommend that an individual other than the one preparing the capital asset schedules, review the annual summaries and consider if cost information and depreciation calculations are correct. In addition, we recommend the District consider the potential of providing additional training related to capital asset accounting to those involved in the process.

Current Status

Implemented.

2008-3 Internal Control - Accrued Vacation- 30000

Criteria or Specific Requirements

Strong internal controls over the financial reporting of the District accounts should include the appropriate valuation of vacation liabilities.

Condition

Significant Deficiency - During our review of the District's compensated absences liability, we noted that the District does not include a component to value the benefits portion of the vacation commitment.

Questioned Costs

None

Context

The compensated absences, excluding associated benefits, were approximately \$160,000 at June 30, 2008.

Effect

The District-wide financial statement liabilities are understated by the amount of the benefits associated with the compensated absences. The benefit component is not expected to be material to the financial statements at this time, but should be included in order to present a complete picture of the District's financial status.

Cause

The policies and procedures for accounting for compensated absences do not include a component to estimate and include a benefits percentage.

Recommendation

We recommend that the District include an estimated component for benefit costs when calculating and recording compensated absence liabilities.

Current Status

Implemented.



To the Governing Board
Piedmont Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining non-major fund information of Piedmont Unified School District for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2008. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Piedmont Unified School District are described in Note 1 to the financial statements. As described in Note 1, the District changed accounting policies by adopting Statement of Government Accounting Standards (GASB Statement) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions*, in 2009. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net assets. The application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's assumptions used to calculate the other postemployment benefit obligation (OPEB) and management's estimate of the useful lives of capital assets to compute depreciation expense.

Management's estimate of the OPEB obligation is based on actuarial assumptions and methods used in an actuarial study performed by Total Compensation Systems, Inc. and other factors. Significant actuarial assumptions used include the medical trend rate, the investment return rate, the inflation rate, and payroll increase rate. Management's best estimate of depreciation is based upon useful lives of five to fifty years computed on a straight-line basis. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarized uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Governing Board, the California Department of Education, the State Controller's Office, and management of Piedmont Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 14, 2009

PIEDMONT UNIFIED SCHOOL DISTRICT

**SUMMARY OF UNRECORDED DIFFERENCES
JUNE 30, 2009**

Description of Audit Difference	Cause	Financial Statements Effects			
		Total Assets	Total Liabilities	Fund Balance	Net Income/Loss
Cash	Fund 14 clearing account not cleared at year end	\$ 26,841		\$ 26,841	\$ 26,841
Investments	Investments not recorded at fair market value	34,708	-	34,708	34,708
Accounts Receivable - Categoricals	Late change to state budget	(157,112)		(157,112)	(157,112)
Accounts Payable	Estimated amounts		22,870	22,870	22,870
Accounts Payable	Supplementary early retirement incentive due within one year not included	-	(78,200)	(78,200)	(78,200)
Revenue	Class Size Reduction	4,585		4,585	4,585
Total		(117,819)	(55,330)	(173,149)	(173,149)
Financial Statement Caption Totals		\$ 51,805,638	\$ 49,716,478	\$ 2,089,160	\$ 770,056
Net Audit Differences as % of F/S Captions		-0.23%	-0.11%	-8.29%	-22.49%