

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**OF ALAMEDA COUNTY**

**PIEDMONT, CALIFORNIA**

**JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
June Monach	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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JUNE 30, 2008

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***FINANCIAL SECTION***

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

VALUE THE DIFFERENCE

## 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, 2008, 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 2007-08* 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, the each major fund, and the aggregate remaining fund information of the Piedmont Unified School District, as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 42 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

*Vavinek, Trine, Day & Co LLP*

Pleasanton, California  
December 15, 2008

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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This section of Piedmont Unified School District's 2008 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### *The Financial Statements*

The financial statements presented herein include all of the activities of the Piedmont Unified School District (the District) as prescribed by GASB Statement Number 34.

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

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

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

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

### REPORTING THE DISTRICT AS A WHOLE

#### *The Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and are reflected in the Statement of Activities.

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### *Fund Financial Statements*

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

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

### THE DISTRICT AS TRUSTEE

#### *Reporting the District's Fiduciary Responsibilities*

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### FINANCIAL HIGHLIGHTS

#### THE DISTRICT AS A WHOLE

##### *Net Assets*

The District's net assets were \$1,319,104 for the fiscal year ended June 30, 2008. Of this amount, \$1,705,693 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table A-1) and change in net assets (Table A-2) of the District's governmental activities.

**Table A-1**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 21,285,190	\$ 24,125,105
Capital assets	33,286,398	30,477,093
Total Assets	<u>54,571,588</u>	<u>54,602,198</u>
Current liabilities	7,315,188	6,693,777
Long-term debt	45,937,296	47,005,921
Total Liabilities	<u>53,252,484</u>	<u>53,699,698</u>
Net assets		
Invested in capital assets, net of related debt	(3,148,829)	(4,627,305)
Restricted	2,762,240	3,483,608
Unrestricted	1,705,693	2,046,197
Total Net Assets	<u>\$ 1,319,104</u>	<u>\$ 902,500</u>

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *Changes in Net Assets*

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

**Table A-2**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 510,294	\$ 9,442
Operating grants and contributions	3,595,507	3,585,534
General revenues:		
Federal and State aid not restricted	8,874,107	9,438,348
Property taxes	16,986,066	16,624,567
Other general revenues	4,007,415	4,635,374
Total Revenues	<u>33,973,389</u>	<u>34,293,265</u>
<b>Expenses</b>		
Instruction related	24,865,213	23,477,519
Student support services	1,545,154	1,465,773
Administration	1,964,612	1,613,340
Maintenance and operations	3,037,061	2,749,979
Other	2,144,745	2,484,576
Total Expenses	<u>33,556,785</u>	<u>31,791,187</u>
Change in Net Assets	<u>\$ 416,604</u>	<u>\$ 2,502,078</u>

### ***Governmental Activities***

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$33,556,785. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$16,986,066 because the cost was paid by those who benefited from the programs \$510,294 or by other governments and organizations who subsidized certain programs with grants and contributions \$3,595,507. We paid for the remaining "public benefit" portion of our governmental activities with \$8,874,107 in federal and state aid not restricted and with other revenues, like interest and general entitlements.

In Table A-3, we have presented the *net* cost (total cost less revenues generated by the activities) of each of the District's functions – instruction, student support services, administration, maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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**Table A-3**

	Net Cost	
	2008	2007
Instruction	\$ 21,121,923	\$ 20,115,744
Student support services	1,309,726	1,292,460
Administration	1,856,480	1,571,126
Maintenance and operations	3,018,110	2,732,305
Other	2,144,745	2,484,576
Totals	<u>\$ 29,450,984</u>	<u>\$ 28,196,211</u>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$15,461,572, which is a decrease of \$3,287,802 from last year.

The primary reasons for the change are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund remained stable increasing \$57,843.
- 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 \$2,942,502, primarily due to expenditures related to various 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 decreased \$336,532, primarily due to a slight decrease in the collection of property taxes that will be used for repayment of the bonds and an increase of approximately \$404,000 in the principal and interest bond repayments due to the issuance of new bonds in the prior year.
- A decrease of \$66,611 in the fund balances for our other Non-major funds resulting mostly from our Special Reserve – Capital Outlay fund.

### *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 May 28, 2008. 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 42.

- Budgeted expenditures decreased between original budget and final budget by \$106,286 due to reductions in debt service and transfers.
- 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 \$1,174,997 and the actual net change in fund balance is an increase of \$57,843. Although revenues were \$1,218,850 more than expected, expenditures were \$157,433 more than originally projected. Increases in revenue are from one-time and new State programs in 2006-07 were carried over and booked as expenses in 2007-08.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### CAPITAL ASSET & DEBT ADMINISTRATION

#### *Capital Assets*

At June 30, 2008, the District had \$33,286,398 in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$2,809,305 from last year due to new expenditures related to installation of new turf on Witter Field, the Havens, Beach and Wildwood Elementary site improvements and other district wide projects.

**Table A-4**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land and land improvements	\$ 4,731,224	\$ 4,557,245
Buildings and improvements	22,417,511	23,060,286
Furniture and equipment	189,857	178,293
Work in process	5,947,806	2,681,269
Totals	<u>\$ 33,286,398</u>	<u>\$ 30,477,093</u>

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

#### *Long-Term Debt*

At the end of this year, the District had \$47,282,405 of long term debt outstanding versus \$48,206,766 last year, a decrease of 2 percent. The long term debt outstanding consisted of:

**Table A-5**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
General obligation bonds	\$ 46,600,139	\$ 47,439,782
General obligation bond premiums	521,030	551,139
Capitalized lease obligations	-	62,033
Compensated absences	161,236	153,812
Totals	<u>\$ 47,282,405</u>	<u>\$ 48,206,766</u>

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

# **PIEDMONT UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008**

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-08 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.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2008-09 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Effective July 1, 2008, the Parcel Taxes B & C will increase 5% over the level of 2007-08.
2. Revenue limit income will increase 0.68% based on ADA P-2 at June 30, 2008, (based on information provided by California School Services); however we are anticipating a slight decline in ADA for the 08/09 fiscal year, and are incorporating this into our multiyear projections.
3. Interest earnings will remain level.
4. Federal income will remain level.
5. State Categorical programs will increase at 0% COLA

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Constance Hubbard, Superintendent, at Piedmont Unified School District, Piedmont, California or e-mail at [chubbard@piedmontk12.ca.us](mailto:chubbard@piedmontk12.ca.us).

# PIEDMONT UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 18,958,351
Receivables	1,778,115
Deferred charges	548,724
Capital assets not depreciated	6,282,829
Capital assets, net of accumulated depreciation	27,003,569
<b>Total Assets</b>	<b>54,571,588</b>
<b>LIABILITIES</b>	
Accounts payable	1,747,149
Interest payable	730,555
Current loans	3,492,375
Current portion of long-term obligations	1,345,109
Noncurrent portion of long-term obligations	45,937,296
<b>Total Liabilities</b>	<b>53,252,484</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(3,148,829)
Restricted for:	
Debt service	1,572,696
Educational programs	330,487
Special revenue	859,057
Unrestricted	1,705,693
<b>Total Net Assets</b>	<b>\$ 1,319,104</b>

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

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in
		Charges for Services and Sales	Operating Grants and Contributions	Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 21,286,196	\$ 344,332	\$ 3,014,974	\$ (17,926,890)
Instruction-related activities:				
Supervision of instruction	558,471	-	16,758	(541,713)
Instructional library, media, and technology	588,212	-	4,099	(584,113)
School site administration	2,432,334	139,146	223,981	(2,069,207)
Pupil services:				
Home-to-school transportation	41,211	-	16,198	(25,013)
Food services	206,588	5,545	9,148	(191,895)
All other pupil services	1,297,355	-	204,537	(1,092,818)
General administration:				
Data processing	209,827	-	-	(209,827)
All other general administration	1,754,785	20,339	87,793	(1,646,653)
Plant services	3,037,061	932	18,019	(3,018,110)
Ancillary services	89,598	-	-	(89,598)
Interest on long-term debt	2,055,147	-	-	(2,055,147)
<b>Total Governmental-Type Activities</b>	<b>\$ 33,556,785</b>	<b>\$ 510,294</b>	<b>\$ 3,595,507</b>	<b>(29,450,984)</b>
General revenues and subventions:				
				7,111,377
				2,492,452
				7,382,237
				8,874,107
				477,711
				3,529,704
			<b>Subtotal, General Revenues</b>	<b>29,867,588</b>
			<b>Change in Net Assets</b>	<b>416,604</b>
			Net Assets - Beginning	902,500
			Net Assets - Ending	<b>\$ 1,319,104</b>

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

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Deposits and investments	\$ 5,149,939	\$ 10,137,218	\$ 2,288,251	\$ 1,382,943	\$ 18,958,351
Receivables	1,530,526	3,270	15,000	193,949	1,742,745
Due from other funds	257,439	-	-	150,000	407,439
<b>Total Assets</b>	<b>\$ 6,937,904</b>	<b>\$ 10,140,488</b>	<b>\$ 2,303,251</b>	<b>\$ 1,726,892</b>	<b>\$ 21,108,535</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,149,819	\$ 537,574	\$ -	\$ 59,756	\$ 1,747,149
Due to other funds	150,000	135,000	-	122,439	407,439
Other current liabilities	3,492,375	-	-	-	3,492,375
<b>Total Liabilities</b>	<b>4,792,194</b>	<b>672,574</b>	<b>-</b>	<b>182,195</b>	<b>5,646,963</b>
<b>Fund Balances:</b>					
Reserved for:					
Legally restricted balances	330,487	-	-	-	330,487
Other reservations	25,000	-	-	-	25,000
Unreserved:					
Designated	865,878	-	-	-	865,878
Undesignated, reported in:					
General Fund	924,345	-	-	-	924,345
Special revenue funds	-	-	-	1,486,706	1,486,706
Debt service funds	-	-	2,303,251	-	2,303,251
Capital projects funds	-	9,467,914	-	57,991	9,525,905
<b>Total Fund Balance</b>	<b>2,145,710</b>	<b>9,467,914</b>	<b>2,303,251</b>	<b>1,544,697</b>	<b>15,461,572</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,937,904</b>	<b>\$ 10,140,488</b>	<b>\$ 2,303,251</b>	<b>\$ 1,726,892</b>	<b>\$ 21,108,535</b>

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, 2008**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 15,461,572</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
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	\$45,809,586	
Accumulated depreciation is	<u>(12,523,188)</u>	
Net Capital Assets		33,286,398
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.		548,724
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.		(730,555)
The special education settlement was not available soon enough after year end to pay for the current period's expenditures, and therefore is not recorded in the fund statement.		35,370
Long-term liabilities at year end consist of:		
Bonds payable	(46,600,139)	
Compensated absences (vacations)	(161,236)	
Bond premium net of amortization	<u>(521,030)</u>	
Total Long-Term Liabilities		<u>(47,282,405)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 1,319,104</u></b>

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, 2008**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Revenue limit sources	\$ 14,827,644	\$ -	\$ -	\$ 338,598	\$ 15,166,242
Federal sources	615,804	-	-	8,903	624,707
Other state sources	3,005,548	-	19,569	114,209	3,139,326
Other local sources	11,124,308	590,954	2,551,391	743,314	15,009,967
<b>Total Revenues</b>	<b>29,573,304</b>	<b>590,954</b>	<b>2,570,960</b>	<b>1,205,024</b>	<b>33,940,242</b>
<b>EXPENDITURES</b>					
Current					
Instruction	20,204,090	-	-	549,138	20,753,228
Instruction-related activities:					
Supervision of instruction	543,803	-	-	-	543,803
Instructional library, media and technolog	572,729	-	-	-	572,729
School site administration	2,147,660	-	-	220,298	2,367,958
Pupil services:					
Home-to-school transportation	39,581	-	-	-	39,581
Food services	-	-	-	200,884	200,884
All other pupil services	1,263,130	-	-	-	1,263,130
General administration:					
Data processing	168,009	-	-	-	168,009
All other general administration	1,717,696	-	-	32,200	1,749,896
Plant services	2,431,564	266,917	-	460,625	3,159,106
Facility acquisition and construction	131,503	3,266,539	-	-	3,398,042
Ancillary services	87,153	-	-	-	87,153
Debt service					
Principal	62,033	-	1,130,000	-	1,192,033
Interest and other	-	-	1,777,492	-	1,777,492
<b>Total Expenditures</b>	<b>29,368,951</b>	<b>3,533,456</b>	<b>2,907,492</b>	<b>1,463,145</b>	<b>37,273,044</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over Expenditures</b>	<b>204,353</b>	<b>(2,942,502)</b>	<b>(336,532)</b>	<b>(258,121)</b>	<b>(3,332,802)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	3,490	-	-	150,000	153,490
Other sources	-	-	-	45,000	45,000
Transfers out	(150,000)	-	-	(3,490)	(153,490)
<b>Net Financing Sources (Uses)</b>	<b>(146,510)</b>	<b>-</b>	<b>-</b>	<b>191,510</b>	<b>45,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>57,843</b>	<b>(2,942,502)</b>	<b>(336,532)</b>	<b>(66,611)</b>	<b>(3,287,802)</b>
<b>Fund Balance - Beginning</b>	<b>2,087,867</b>	<b>12,410,416</b>	<b>2,639,783</b>	<b>1,611,308</b>	<b>18,749,374</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,145,710</b>	<b>\$ 9,467,914</b>	<b>\$ 2,303,251</b>	<b>\$ 1,544,697</b>	<b>\$ 15,461,572</b>

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

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (3,287,802)</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
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	\$ (814,882)
Capital outlays	<u>3,624,187</u>
Net Expense Adjustment	2,809,305
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).	(7,424)
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.	1,192,033
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.	(272,840)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 416,604</u></b>

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

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	<u>\$      80,505</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$      80,505</u>

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Component Units

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

#### Other Related Entities

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

The Alameda County Schools Insurance Group (ACSIG)  
Bay Area Schools Insurance Group (BASIG) public entity risk pools.

#### Basis of Presentation - Fund Accounting

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

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### 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.

**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 is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the District and for each governmental function, and exclude 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.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

**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. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2008, 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.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Restricted Assets

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

### Prepaid Expenditures

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

### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 for equipment and \$15,000 for site 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type 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.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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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.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

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

### **Deferred Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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.

### **Current Loans**

Current loans consist of amounts outstanding at June 30, 2008, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

### **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, stores inventories, 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.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### **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.

### **Interfund Activity**

Transfers between governmental and business-type 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 and after non-operating revenues/expenses in proprietary 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 and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type 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 1<sup>st</sup> of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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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 purposes of the budget, 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.

### New Accounting Pronouncements

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (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.

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 will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged. The District believes the implementation of this statement will have no significant effect on the financial statements.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. The District believes the implementation of this statement will have no significant effect on the financial statements.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged. The District believes the implementation of this statement will have no significant effect on the financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The District believes the implementation of this statement will have no significant effect on the financial statements.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 18,958,351
Fiduciary funds	<u>80,505</u>
Total Deposits and Investments	<u><u>\$ 19,038,856</u></u>

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 119,922
Cash in revolving fund	25,000
Investments	<u>18,893,934</u>
Total Deposits and Investments	<u>\$ 19,038,856</u>

### Policies and Practices

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 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.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**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

**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	\$ 8,773,869	0.92
State Investment Pool	10,120,065	0.58
Total	<u>\$ 18,893,934</u>	

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### **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, 2008.

### **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, 2008.

### **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 agencies. 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, 2008, the District's bank balance of approximately \$225,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### **Custodial Credit Risk - Investments**

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

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2008, 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	\$ 198,102	\$ -	\$ -	\$ -	\$ 198,102
State Government					
Apportionment	725,132	-	-	171,879	897,011
Categorical aid	241,166	-	-	1,344	242,510
Lottery	174,133	-	-	-	174,133
Local Government					
Interest	72,676	3,270	15,000	8,295	99,241
Other Local Sources	119,317	-	-	12,431	131,748
Total	<u>\$ 1,530,526</u>	<u>\$ 3,270</u>	<u>\$ 15,000</u>	<u>\$ 193,949</u>	<u>\$ 1,742,745</u>

Additional long term receivables include \$35,370 for a special education settlement with payments expected to be received annually over the next four years.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance <u>July 1, 2007</u>	Additions	Deductions	Balance <u>June 30, 2008</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 335,023	\$ -	\$ -	\$ 335,023
Construction in Progress	2,681,269	3,266,537	-	5,947,806
Total Capital Assets Not Being Depreciated	3,016,292	3,266,537	-	6,282,829
Capital Assets Being Depreciated:				
Land Improvements	5,443,381	324,188	-	5,767,569
Buildings and Improvements	32,963,115	-	-	32,963,115
Furniture and Equipment	762,611	33,462	-	796,073
Total Capital Assets Being Depreciated	39,169,107	357,650	-	39,526,757
Total Capital Assets	42,185,399	3,624,187	-	45,809,586
Less Accumulated Depreciation:				
Land Improvements	1,221,159	150,209	-	1,371,368
Buildings and Improvements	9,902,829	642,775	-	10,545,604
Furniture and Equipment	584,318	21,898	-	606,216
Total Accumulated Depreciation	11,708,306	814,882	-	12,523,188
Governmental Activities Capital Assets, Net	<u>\$ 30,477,093</u>	<u>\$2,809,305</u>	<u>\$ -</u>	<u>\$ 33,286,398</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 538,636
Supervision of instruction	14,668
Instructional library, media, and technology	15,483
School site administration	64,376
Home-to-school transportation	1,630
Food services	5,704
All other pupil services	34,225
Ancillary	2,445
Data processing	4,889
All other general administration	47,263
Plant services	85,563
Total Depreciation Expenses Governmental Activities	<u>\$ 814,882</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
Non-Major Governmental funds	\$ 150,000	\$ -	\$ -	\$ 150,000
General Fund	-	135,000	122,439	257,439
Total	\$ 150,000	\$ 135,000	\$ 122,439	\$ 407,439

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, 2008, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 3,490	\$ 3,490
Non-Major Governmental funds	150,000	-	150,000
Total	\$ 150,000	\$ 3,490	\$ 153,490

The General fund transferred to the Deferred Maintenance fund for District match.	\$ 150,000
The Special Reserve - Capital Outlay fund transferred to the General Fund for art projects.	3,490
Total	\$ 153,490

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, 2008**

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**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 662,335	\$ 537,574	\$ 48,333	\$ 1,248,242
State apportionment	56,472	-	11,423	67,895
Salaries and benefits	431,012	-	-	431,012
Total	<u>\$ 1,149,819</u>	<u>\$ 537,574</u>	<u>\$ 59,756</u>	<u>\$ 1,747,149</u>

**NOTE 7 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On August 1, 2007, the District issued \$3,350,000 Tax and Revenue Anticipation Notes bearing interest at approximately four percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on July 31, 2008. By May 31, 2008, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes.

The District was not required to make any additional payments on the notes. The District has recorded the cash available to make the principal and interest payments in the county cash pool and with the corresponding liability as a current loan.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2007	Additions	Payments	Outstanding June 30, 2008
7/11/2006	4.25%	7/10/2007	\$ 3,300,000	-	\$3,300,000	\$ -
8/1/2007	3.606%	7/31/2008	-	3,350,000	-	3,350,000
			<u>\$ 3,300,000</u>	<u>\$ 3,350,000</u>	<u>\$3,300,000</u>	<u>\$ 3,350,000</u>

The amount of \$3,492,375 shown on the statement of net assets and fund balance sheet as other current liabilities includes \$142,375 of interest payable.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2007	Additions	Accretions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$ 47,439,782	\$ -	\$ 290,357	\$ 1,130,000	\$ 46,600,139	\$ 1,315,000
Add: Bond premium, net	551,139	-	-	30,109	521,030	30,109
Subtotal	47,990,921	-	290,357	1,160,109	47,121,169	1,345,109
Accumulated vacation - net	153,812	7,424	-	-	161,236	-
Capital leases	62,033	-	-	62,033	-	-
	<u>\$ 48,206,766</u>	<u>\$ 7,424</u>	<u>\$ 290,357</u>	<u>\$ 1,222,142</u>	<u>\$ 47,282,405</u>	<u>\$ 1,345,109</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Capital leases are paid by the General 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, 2007	Issued	Accretions	Redeemed	Bonds Outstanding June 30, 2008
6/15/2001	2019	2.5-5.25%	\$17,225,000	\$ 15,040,000	\$ -	\$ -	\$ 525,000	\$ 14,515,000
1/11/2005	2021	3.0-4.0%	\$18,415,000	17,155,000	-	-	560,000	16,595,000
7/27/2006	2032	4.0-6.5%	\$14,999,934	15,244,782	-	290,357	45,000	15,490,139
				<u>\$47,439,782</u>	<u>\$ -</u>	<u>\$290,357</u>	<u>\$1,130,000</u>	<u>\$ 46,600,139</u>

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### 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>
2009	\$ 1,315,000	\$ 1,728,508	\$ 3,043,508
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
2014-2018	15,653,783	5,765,142	21,418,925
2019-2023	13,250,000	1,935,673	15,185,673
2024-2028	5,412,807	3,488,174	8,900,981
2029-2032	2,819,256	6,460,744	9,280,000
Total	46,064,934	<u>\$25,746,513</u>	<u>\$ 71,811,447</u>
Accretions to date	535,205		
Total	<u>\$ 46,600,139</u>		

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$161,236.

### NOTE 9 – 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, 2008, the amount of defeased debt outstanding but removed from the long-term obligations amounted to \$24,625,477.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 10 - 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
Restricted programs	330,487	-	-	-	330,487
Total Reserved	<u>355,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,487</u>
Unreserved					
Designated					
Economic uncertainties	865,878	-	-	-	865,878
Other designation	-	-	-	-	-
Total Designated	<u>865,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>865,878</u>
Undesignated	924,345	9,467,914	2,303,251	1,544,697	14,240,207
Total Unreserved	<u>1,790,223</u>	<u>9,467,914</u>	<u>2,303,251</u>	<u>1,544,697</u>	<u>15,106,085</u>
Total	<u>\$ 2,145,710</u>	<u>\$ 9,467,914</u>	<u>\$ 2,303,251</u>	<u>\$ 1,544,697</u>	<u>\$ 15,461,572</u>

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service.

For certificated employees, the District shall continue medical benefits for employees who retire at age 55 or more with 15 years or more of service with the District. The level of coverage and the medical benefit program shall be equal to the least costly single party coverage offered to the employees of the District each succeeding year. In order to qualify for benefits, the retiree must be covered for medical benefits by the District at the time of separation. The retiree may choose either Option A or Option B. If Medicare coverage is available, the District's payments for Option A or Option B will supplement Medicare in order to maintain the least costly medical plan. For classified employees with a date of hire prior to July 1, 1989 and retiring with fifteen years employment and/or those employees disabled with ten years employment shall continue to receive equivalent level of coverage for the health plans in which they were members two years prior to retirement or disability. When the employee begins to receive Medicare benefits, a District paid health plan will supplement Medicare to provide the equivalent level of health protection enjoyed two years prior to retirement or disability. Part-time employees will receive medical coverage proportionate to that received at the time of retirement. Unused sick leave of employees, regardless of hire date, must be credited toward retirement.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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For classified employees with a date of hire after July 1, 1989, the District shall continue medical benefits for those employees who retire at age 55 or more with fifteen years or more of service with the District. The level of coverage and the medical benefit program shall be equal to the least costly single party coverage offered to the employees of the District each succeeding year. In order to qualify for benefits the retiree must be covered for medical benefits by the District at the time of separation. The retiree may choose either Option A or Option B. If Medicare coverage is available, the District's payments for Option A or B will supplement Medicare in order to maintain the least costly medical plan.

### Option A

Full medical benefits shall extend until retiree reaches Medicare eligibility age at which time the District shall contribute to the retiree's medical benefits at a flat rate of \$75 per month. This coverage shall continue until the retiree reaches 75 years of age at which time the retiree shall have the option of participating in the District medical plan at his/her expense.

### Option B

Full medical benefits shall extend until the retiree reaches Medicare eligibility age at which time the District shall contribute to the retiree's medical benefits at a flat rate of \$100 per month. For classified employees, this coverage shall continue for a period of time equal to the number of years of service in the District. Certificated employees shall receive this benefit for life.

Currently, 108 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees report claims premiums are paid. During the year, expenditures of \$313,479 were recognized for retirees' health care benefits.

## NOTE 12 - RISK MANAGEMENT

### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, 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 Bay Area Schools Insurance Group (BASIG). 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 2008, the District participated in the ACSIG, an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

Coverage provided by ACSIG and BASIG 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>		
Bay Area Schools Insurance Group (BASIG)	Excess Property and Liability	\$1 million - \$25 million
<u>Property and Liability Program</u>		
Alameda County Schools Insurance Group (ACSIG)	Property and Liability	\$500,000 - \$1 million

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory 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 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 2007-2008 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, 2008, 2007, and 2006, were \$1,201,832, \$1,154,662, and \$1,078,230, respectively, and equal 100 percent of the required contributions for each year.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### 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 death 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 2007-2008 was 9.306 percent of annual 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, 2008, 2007, and 2006, were \$390,763, \$367,885, and \$326,546, respectively, and equal 100 percent of the required contributions for each year.

#### Social Security

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

#### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$656,364 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. 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 Schedule.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### NOTE 14 - 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, 2008.

#### 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, 2008.

#### Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
Wildwood Elementary	\$ 135,343	2009
Beach Elementary	262,778	2010
Havens Elementary	1,270,432	2009
Piedmont Middle School	174,744	2009
Piedmont High School	496,799	2010
District-Wide	316,388	2009
Maintenance Department	45,273	2008
	\$ 2,701,757	

### NOTE 15 - 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, and the Bay Area Schools Insurance Group public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2008 the District made payments of \$411,505 to Alameda County Schools Insurance Group for workers' compensation, and property liability insurance coverage.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PIEDMONT UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variances -
	(GAAP Basis)			Positive
	Original	Final	(GAAP Basis)	Final to Actual (Negative)
<b>REVENUES</b>				
Revenue limit sources	\$ 14,913,975	\$ 14,828,638	\$ 14,827,644	\$ (994)
Federal sources	585,855	614,815	615,804	989
Other State sources	2,230,405	2,382,590	3,005,548	622,958
Other local sources	10,359,745	10,528,411	11,124,308	595,897
<b>Total Revenues<sup>1</sup></b>	<b>28,089,980</b>	<b>28,354,454</b>	<b>29,573,304</b>	<b>1,218,850</b>
<b>EXPENDITURES</b>				
Current				
Instruction	19,624,131	19,131,939	20,204,090	(1,072,151)
Instruction-related activities:				
Supervision of instruction	2,184,828	438,029	543,803	(105,774)
Instructional library, media, and technology	207,136	894,585	572,729	321,856
School site administration	1,109,205	2,573,340	2,147,660	425,680
Pupil services:				
Home-to-school transportation	56,647	56,647	39,581	17,066
All other pupil services	1,192,106	1,242,394	1,263,130	(20,736)
General administration:				
Data processing	74,598	261,090	168,009	93,081
All other general administration	1,546,823	1,632,093	1,717,696	(85,603)
Plant services	2,815,600	2,516,950	2,431,564	85,386
Facility acquisition and construction	-	207,210	131,503	75,707
Ancillary services	212,241	212,241	87,153	125,088
Debt service				
Principal	108,000	45,000	62,033	(17,033)
<b>Total Expenditures<sup>1</sup></b>	<b>29,131,315</b>	<b>29,211,518</b>	<b>29,368,951</b>	<b>(157,433)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	<b>(1,041,335)</b>	<b>(857,064)</b>	<b>204,353</b>	<b>1,061,417</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,338	-	3,490	3,490
Transfers out	(135,000)	(110,000)	(150,000)	(40,000)
<b>Net Financing Sources (Uses)</b>	<b>(133,662)</b>	<b>(110,000)</b>	<b>(146,510)</b>	<b>(36,510)</b>
<b>NET CHANGE IN FUND BALANCES</b>				
	<b>(1,174,997)</b>	<b>(967,064)</b>	<b>57,843</b>	<b>1,024,907</b>
<b>Fund Balance - Beginning</b>	<b>2,087,867</b>	<b>2,087,867</b>	<b>2,087,867</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 912,870</b>	<b>\$ 1,120,803</b>	<b>\$ 2,145,710</b>	<b>\$ 1,024,907</b>

<sup>1</sup> On behalf payments of \$656,364 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

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***SUPPLEMENTARY INFORMATION***

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**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title II - Part A, Teacher Quality	84.367	14341	\$ 41,111
Title II - Part D Enhancing Education Through Technology	84.318	14334	483
Title III - Limited English Proficiency (LEP) Student Program	84.365	10084	6,576
Title IV - Part A, Drug Free Schools	84.186	14347	6,560
Title V - Part A, Innovative Education Strategies	84.298A	13340	2,183
Elementary and Secondary Education Act			
Title I - Basic Grants Low Income and Neglected	84.010	14329	50,032
Special Education - State Grants			
IDEA Basic Local Assistance Entitlement	84.027	13379	493,477
IDEA Preschool Local Entitlement Part B, Sec 611	84.027A	13682	9,315
IDEA Preschool Grants Part B, Sec 619	84.173	13430	6,067
Vocational Educational Grants			
Total U.S. Department of Education			<u>615,804</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition, School Programs-Lunch and Breakfast	10.553	13390	<u>8,903</u>
Total U.S. Department of Agriculture			<u>8,903</u>
Total Expenditures of Federal Awards			<u>\$ 624,707</u>

See accompanying note to supplementary information.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

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### 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, 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 Monach	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, 2008**

	Revised Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	150	150
First through third	532	532
Fourth through sixth	537	539
Seventh and eighth	385	388
Home and hospital	2	-
Special education	5	8
Total Elementary	1,611	1,617
<b>SECONDARY</b>		
Regular classes	791	789
Continuation education	78	78
Home and hospital	1	1
Special education	2	3
Total Secondary	872	871
Total K-12	2,483	2,488
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	112	128
Not concurrently enrolled	-	-
Total Classes for Adults	112	128
Grand Total	2,595	2,616
		<u>Hours of Attendance</u>
<b>SUMMER SCHOOL</b>		
Elementary		961
High school		1,338
Total Hours		2,299

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2008**

Grade Level	1982-83	1986-87	2007-2008	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	51,930	180	N/A	In Compliance
Grade 2	41,780	50,400	51,930	180	N/A	In Compliance
Grade 3	41,780	50,400	51,930	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	66,060	180	N/A	In Compliance
Grade 7	65,300	54,000	66,940	180	N/A	In Compliance
Grade 8	65,300	54,000	66,940	180	N/A	In Compliance
Grade 9	65,165	64,800	66,550	180	N/A	In Compliance
Grade 10	65,165	64,800	66,550	180	N/A	In Compliance
Grade 11	65,165	64,800	66,550	180	N/A	In Compliance
Grade 12	65,165	64,800	66,550	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, 2008

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There were no fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

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

### FORM ASSETS

Total Assets, June 30, 2008, Unaudited Actuals	\$ 34,761,890
Increase in:	
Site Improvements	192,685
Equipment	961,537
Total accumulated depreciation	(1,668,177)
Decrease in:	
Buildings	(961,537)
Total Assets, June 30, 2008, Audited Financial Statement	<u>\$ 33,286,398</u>

Summarized below are the Form Asset reconciliations between the Unaudited Actual Financial Report, and the audited financial statements:

### FORM DEBT

Total Liabilities, June 30, 2008, Unaudited Actuals	\$ 47,431,896
Increase in:	
General Obligation Bonds	45,509
Decrease in:	
General Obligation Bonds	(195,000)
Total Liabilities, June 30, 2008, Audited Financial Statement	<u>\$ 47,282,405</u>

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

	(Budget)			
	2009 <sup>1</sup>	2008	2007	2006
<b>GENERAL FUND</b>				
Revenues <sup>3</sup>	\$ 28,364,275	\$ 28,916,940	\$ 28,384,099	\$ 24,830,952
Other sources	3,515	3,490	1,338	410,711
Total Revenues and Other Sources	28,367,790	28,920,430	28,385,437	25,241,663
Expenditures <sup>3</sup>	29,368,230	28,712,587	26,761,055	24,686,814
Other uses and transfers out	90,000	150,000	635,000	120,000
Total Expenditures and Other Uses	29,458,230	28,862,587	27,396,055	24,806,814
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,090,440)	\$ 57,843	\$ 989,382	\$ 434,849
ENDING FUND BALANCE	\$ 1,055,270	\$ 2,145,710	\$ 2,087,867	\$ 1,098,485
AVAILABLE RESERVES <sup>2</sup>	\$ 1,055,269	\$ 2,417,872	\$ 1,657,502	\$ 960,221
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	3.58%	8.38%	6.05%	3.87%
LONG-TERM DEBT	\$ 45,937,296	\$ 47,282,405	\$ 48,206,766	\$ 33,551,308
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,470	2,483	2,518	2,538

The General Fund balance has increased by \$1,047,225 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$1,090,440 (51 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 2008-2009 fiscal year. Total long-term obligations have increased by \$13,731,097 over the past two years due to the issuance of a bond in 2006.

Average daily attendance has decreased by 55 over the past two years. A decline of 13 is anticipated during fiscal year 2008-2009.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> 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).

<sup>3</sup> On-behalf payments of \$656,364, \$630,131, and \$587,483 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, 2007, and 2006.

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**EXCESS SICK LEAVE  
JUNE 30, 2008**

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**Section 19833.5 (a)(3) or (a)(3)(b) Disclosure**

Piedmont Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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### 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 Section 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.

#### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2008**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 61,979	\$ 3,467	\$ 637,205
Receivables	56,079	13,989	118,429
Due from other funds	-	-	150,000
<b>Total Assets</b>	<b>\$ 118,058</b>	<b>\$ 17,456</b>	<b>\$ 905,634</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 18,773	\$ 15	\$ 40,864
Due to other funds	46,662	12,000	63,777
<b>Total Liabilities</b>	<b>65,435</b>	<b>12,015</b>	<b>104,641</b>
<b>Fund Balances:</b>			
Undesignated, reported in:			
Special revenue funds	52,623	5,441	800,993
Capital projects funds	-	-	-
<b>Total Fund Balance</b>	<b>52,623</b>	<b>5,441</b>	<b>800,993</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 118,058</b>	<b>\$ 17,456</b>	<b>\$ 905,634</b>

See note to supplementary information – unaudited.

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<b>Special Reserve Non-Capital Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 622,714	\$ 57,578	\$ 1,382,943
4,935	517	193,949
-	-	150,000
<u>\$ 627,649</u>	<u>\$ 58,095</u>	<u>\$ 1,726,892</u>
\$ -	\$ 104	\$ 59,756
-	-	122,439
-	104	182,195
627,649	-	1,486,706
-	57,991	57,991
<u>627,649</u>	<u>57,991</u>	<u>1,544,697</u>
<u>\$ 627,649</u>	<u>\$ 58,095</u>	<u>\$ 1,726,892</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Revenue limit sources	\$ 338,598	\$ -	\$ -
Federal sources	-	8,903	-
Other state sources	2,604	-	111,605
Other local sources	504,383	188,214	22,815
<b>Total Revenues</b>	<b>845,585</b>	<b>197,117</b>	<b>134,420</b>
<b>EXPENDITURES</b>			
Current			
Instruction	549,138	-	-
Instruction-related activities:			
School site administration	220,298	-	-
Pupil services:			
Food services	-	200,884	-
All other general administration	32,200	-	-
Plant services	1,475	-	256,368
Facility acquisition and construction	-	-	-
<b>Total Expenditures</b>	<b>803,111</b>	<b>200,884</b>	<b>256,368</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>42,474</b>	<b>(3,767)</b>	<b>(121,948)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	131,314
Other sources	-	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>131,314</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>42,474</b>	<b>(3,767)</b>	<b>9,366</b>
<b>Fund Balance - Beginning</b>	<b>10,149</b>	<b>9,208</b>	<b>791,627</b>
<b>Fund Balance - Ending</b>	<b>\$ 52,623</b>	<b>\$ 5,441</b>	<b>\$ 800,993</b>

See note to supplementary information – unaudited.

<b>Special Reserve Non-Capital Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 338,598
-	-	8,903
-	-	114,209
26,029	1,873	743,314
<u>26,029</u>	<u>1,873</u>	<u>1,205,024</u>
-	-	549,138
-	-	220,298
-	-	200,884
-	-	32,200
-	202,782	460,625
-	-	-
<u>-</u>	<u>202,782</u>	<u>1,463,145</u>
26,029	(200,909)	(258,121)
-	18,686	150,000
-	45,000	45,000
(3,490)	-	(3,490)
<u>(3,490)</u>	<u>63,686</u>	<u>191,510</u>
22,539	(137,223)	(66,611)
605,110	195,214	1,611,308
<u>\$ 627,649</u>	<u>\$ 57,991</u>	<u>\$ 1,544,697</u>

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

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### NOTE 1 - PURPOSE OF SCHEDULES

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

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.

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***INDEPENDENT AUDITORS' REPORTS***

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

VALUE THE DIFFERENCE

**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, 2008, which collectively comprise Piedmont Unified School District's basic financial statements and have issued our report thereon dated December 15, 2008. 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 questioned costs as items 2008-1, 2008-2, and 2008-3 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **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*.

Piedmont Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Piedmont Unified School District's response and, accordingly, express no opinion on it.

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, 2008



**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, 2008. 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, 2008.

**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.

Vavinek, Trine, Day & Co LLP

Pleasanton, California  
December 15, 2008



**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 as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. 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 2007-08*, 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:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No, see below
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable

Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Not Applicable
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for independent study because the reported average daily attendance did not meet the threshold for testing.

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.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
December 15, 2008

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**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)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</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, 2008

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance 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

### 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 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 was 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 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 School

# PIEDMONT UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### **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.

### **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**

The District acknowledges and accepts the findings as reported. Site administrators at Piedmont High School and Millennium High School have been notified that operating controls must follow appropriate segregation of duties, including securing three required signatures on disbursements and providing necessary supporting documentation.

## **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.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### **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.

### **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.

### **District Response**

The District acknowledges and accepts the findings as reported. The District would also like to extend its thanks to VTD for providing on-site training in capital asset accounting. In the future, the District feels confident it can review information from its files, track fixed asset additions and the calculation of accumulated depreciation. Moreover, we will make efforts to reconcile physical inventory with the capital asset summary worksheet.

## **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.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### **Recommendation**

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

### **District Response**

The District acknowledges and accepts the findings as reported. The District will add 10% to its compensated absences liability to more closely value the benefits portion of the vacation commitment.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None noted.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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*

#### **2007-1 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**

*Control Deficiency* - During our review of the ASB accounts at Piedmont Middle School, we noted that one individual handles all deposits, disbursements, bank reconciliations, and financial reporting, indicating a lack of segregation of duties. In addition, Both Piedmont High School ASB and Piedmont Middle School ASB checking account reconciliations included outstanding checks that were older than six months.

##### **Questioned costs**

None

##### **Context**

All ASB transactions processed at Piedmont Middle 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.

##### **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. The individual performing the review should scan the monthly activity for reasonableness and should consider randomly selecting a couple of transactions per month to request the supporting documents (invoices, deposit records etc,) for review. In addition the individual performing the review should initial and date any items reviewed in order to document the review. A summary of the monthly transactions should also be included with the student council minutes enabling students to review the transactions.

In addition, outstanding checks that have not cleared the bank within six months should be routinely investigated to determine if replacement checks have already been issued or if the checks may need to be voided.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

### **Current Status**

Implemented at Piedmont High School. See 2008-1 for other sites.

### **2007-2 Internal Control – Journal Entries - 30000**

#### **Criteria or Specific Requirements**

Strong internal controls over the financial reporting of the District 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 District journal entry processing, we noted that one individual handles processing and posting of journal entries with no independent review by another individual, indicating a lack of segregation of duties.

#### **Questioned Costs**

None

#### **Context**

All District journal entry transactions processed by the District.

#### **Effect**

The District financial accounting structure may not detect errors or misappropriation contained within journal entry transactions.

#### **Cause**

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

#### **Recommendation**

While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of individual journal entry 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 journal entries posted during the month. The individual performing the review should scan the monthly activity for reasonableness and should consider randomly selecting a couple of transactions per month to request the supporting documents (invoices, deposit records etc.) for review. In addition the individual performing the review should initial and date any items reviewed in order to document the review.

### **Current Status**

Implemented.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

### 2007-3 Internal Control – Purchasing and Accounts Payable - 30000

#### Criteria or Specific Requirements

Generally accepted accounting principles require recognition of the majority of expenses at the time the service or good is provided to the District.

#### Condition

Significant Deficiency - We noted two instances where services totaling approximately \$63,000 were provided to the District by June 30, 2007, however, the amounts were neither paid prior to that date nor accrued as accounts payable.

#### Questioned Costs

Not applicable.

#### Context

Purchase orders/contracts were not timely submitted thereby causing board approval to occur after June 30, 2007. Therefore, Fiscal Services was not able to set up accounts payable for those building invoices since there was no budget approval for the items.

#### Effect

Expenditures and accounts payable for 2006/2007 were understated.

#### Cause

Services were provided by vendors prior to board approval occurring.

#### Recommendation

We recommend that vendor proposals or purchase orders be processed and when required be submitted to the board prior to the vendor beginning to provide services.

#### Current Status

Implemented.

### *State Award Findings*

### 2007-4 Attendance – Remedial Hours – 10000

#### Criteria or Specific Requirements

Supplemental instruction hours reported to California Department of Education should represent those hours actually provided to students.

#### Condition

Manual sign in sheets used for documenting pupil risk of retention hours were not totaled correctly.

#### Questioned Costs

13 hours at \$3.90 per hour or \$51.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

### **Context**

378 hours for pupils at risk of retention were claimed on P2 and annual attendance reports. One teacher's sign in sheets documenting hours reported for pupils at risk of retention did not foot by 13 hours.

### **Effect**

Hours reported for pupils at risk of retention were overstated by 13 hours.

### **Cause**

Manual sign in sheets used for documenting pupil risk of retention hours were not totaled correctly.

### **Recommendation**

While the dollar amount overclaimed is not significant, due to the fact that there is no system in place to double check the accuracy of the manual attendance data the potential exists for other more significant errors to occur. We recommend that the District develop a method of double checking the mathematical accuracy of the sign in sheets and the conversion of the times in and out to hourly totals.

### **Current Status**

Implemented.

## **2007-5 Continuing Education (Millennium) - 10000**

### **Criteria or Specific Requirements**

Education Code 48430 governs continuing education schools providing an opportunity for pupils to complete required academic courses of instruction to graduate from high school. It is a program of instruction which emphasizes occupational orientation or a work-study schedule and is designed to meet the educational needs of each pupil. Continuation education schools account for attendance in terms of hours. Monthly site attendance summaries should provide accurate information by summarizing each pupil's attendance in the weekly attendance records from the teacher's attendance register.

### **Condition**

We noted that teachers' attendance registers (scantrons) indicated that several students were absent, however, the monthly site attendance summary included those students as present.

### **Questioned Costs**

16 hours.

### **Context**

Reviewed student records for 38 students enrolled in two courses during attendance month 6 consisting of 532 hours of attendance. Noted 14 hours where those students reported as present in the attendance summary were marked absent on the scantrons. In addition, we noted 2 hours where students reported as present in the attendance summary were indicated as not enrolled in the course on the scantrons.

### **Effect**

The District has reported more continuing education average daily attendance than teacher attendance registers support.

# **PIEDMONT UNIFIED SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

### **Cause**

Scantron records do not reconcile to the monthly attendance summaries.

### **Recommendation**

We recommend that the District design a procedure to review accurate accumulation of scantron data and compare the number of hours marked absent on scantrons to the data included in the monthly summaries.

### **Current Status**

Implemented.