

**PIEDMONT UNIFIED  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2010**

# PIEDMONT UNIFIED SCHOOL DISTRICT

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JUNE 30, 2010

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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, 2010, 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 2009-10*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Piedmont Unified School District, as of June 30, 2010, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California  
December 14, 2010

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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This section of Piedmont Unified School District's (the District) 2010 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### *The Financial Statements*

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement Number 34.

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

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

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

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

### REPORTING THE DISTRICT AS A WHOLE

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

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and are reflected in the Statement of Activities.

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### *Fund Financial Statements*

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

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

### THE DISTRICT AS TRUSTEE

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

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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### THE DISTRICT AS A WHOLE

#### *Net Assets*

The District's net assets were \$1,480,387 for the fiscal year ended June 30, 2010. Of this amount, \$2,978,546 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 21,937,072	\$ 12,992,246
Capital assets	66,309,736	38,813,392
Total Assets	<u>88,246,808</u>	<u>51,805,638</u>
Current liabilities	9,169,502	5,006,689
Long-term liabilities	77,596,919	44,709,789
Total Liabilities	<u>86,766,421</u>	<u>49,716,478</u>
Net assets		
Invested in capital assets, net of related debt	(5,302,549)	(2,653,725)
Restricted	3,804,390	2,444,780
Unrestricted	2,978,546	2,298,105
Total Net Assets	<u>\$ 1,480,387</u>	<u>\$ 2,089,160</u>

The \$2,978,546 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.



**PIEDMONT UNIFIED SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

*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 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues and expenses for the year.

**Table 2**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,527	\$ 180,061
Operating grants and contributions	2,396,471	2,844,710
General revenues:		
Federal and State aid	7,240,304	9,595,155
Property taxes	20,970,023	18,207,071
Other general revenues	4,567,873	4,145,418
<b>Total Revenues</b>	<b>35,176,198</b>	<b>34,972,415</b>
<b>Expenses</b>		
Instruction related	25,166,602	25,342,533
Student support services	1,529,962	1,724,669
Administration	2,581,100	1,763,144
Maintenance and operations	3,667,490	3,060,107
Other	2,839,817	2,311,906
<b>Total Expenses</b>	<b>35,784,971</b>	<b>34,202,359</b>
<b>Change in Net Assets</b>	<b>\$ (608,773)</b>	<b>\$ 770,056</b>

***Governmental Activities***

As reported in the *Statement of Activities* on page 12, the cost of all of our governmental activities this year was \$35,784,971. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$20,970,023 because the cost was paid by those who benefited from the programs, \$1,527, or by other governments and organizations who subsidized certain programs with grants and contributions (\$2,396,471). We paid for the remaining "public benefit" portion of our governmental activities with \$7,240,304 in Federal and State aid and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District’s largest functions: regular instruction, instruction related activities, pupil services, and other as well as each program’s *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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**Table 3**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Instruction	\$ 21,120,018	\$ 21,475,855	\$ 18,863,948	\$ 18,938,328
Instruction related activities	4,046,584	3,866,678	3,964,446	3,715,785
Pupil services	1,529,962	1,724,669	1,508,447	1,391,116
General administration	2,581,100	1,763,144	2,576,912	1,760,346
Plant services	3,667,490	3,060,107	3,633,403	3,060,107
Other	2,839,817	2,311,906	2,839,817	2,311,906
<b>Totals</b>	<b>\$ 35,784,971</b>	<b>\$ 34,202,359</b>	<b>\$ 33,386,973</b>	<b>\$ 31,177,588</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$12,612,795, which is an increase of \$2,878,192 from last year.

The primary reasons for the changes between 2009 and 2010 are:

- 1) The general fund remained fairly stable this year.
- 2) The building capital outlay fund increased by \$1.6 million as a result of approximately \$700,000 local revenue from Piedmont City and a reduction in expenditures.
- 3) The bond interest and redemption fund increased by \$2 million as a result of additional funds required to be set aside for future bond repayments.
- 4) The deferred maintenance fund decreased by \$388,000 as a result of transferring \$300,000 to the general fund as well as adjustments to state revenues.
- 5) The special reserve – noncapital fund decreased by \$523,000 as a result of transferring back monies to the general fund.
- 6) Our other funds did not have significant changes.

### *General Fund Budgetary Highlights*

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 23, 2010. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 41.

The primary reasons for the changes in the revenues and expenditures between the original and final budgets and the actual amounts are:

- Budgeted revenues increased between original budget and final budget of \$404,657, of which \$147,000 from federal revenues, and \$20,000 from state revenues. Also, an increase of approx. \$235,000 in local support. Additionally, a transfer in for \$300,000 from Deferred Maintenance fund.
- There were also modifications, based on close monitoring of actual events throughout the year.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2010**

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The District originally projected a decrease in the general fund of \$1,117,377 and the actual net change in fund balance is a decrease of \$421,321. Although revenues were \$404,657 more than expected, expenditures were \$500,557 more than originally projected. The District froze expenditures and monitored every transaction closely to control the budget during the State Budget crisis. Increases in revenue are from one-time local donations and new Federal programs.

### CAPITAL ASSET & DEBT ADMINISTRATION

#### *Capital Assets*

At June 30, 2010, the District had \$66,309,736 in a broad range of capital assets, including land and improvements, furniture and equipment, and construction in progress. This amount represents a net increase (including additions, deductions and depreciation) of \$27,496,344 from last year due to efforts of the District's Seismic Safety Bond Program in rehabilitating buildings with structural deficiencies and replacing an elementary school.

**Table 4**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Land and improvements	\$ 4,431,037	\$ 4,581,015
Buildings and improvements	22,251,001	21,765,470
Furniture and equipment	163,567	167,696
Construction in progress	39,464,131	12,299,211
<b>Totals</b>	<b>\$ 66,309,736</b>	<b>\$ 38,813,392</b>

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

#### *Long-Term Obligations*

At the end of this year, the District had \$77,596,919 of long term debt outstanding versus \$46,294,898 last year, an increase of 68 percent due to issuance of new debt. The long term obligations outstanding consisted of:

**Table 5**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
General obligation bonds	\$ 63,333,274	\$ 45,592,605
Bond anticipation notes	12,025,041	-
General obligation bond premiums	2,044,636	490,921
Accumulated vacation	162,139	211,372
Postemployment benefits	31,829	(8,614)
<b>Totals</b>	<b>\$ 77,596,919</b>	<b>\$ 46,286,284</b>

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

# **PIEDMONT UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010**

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2009-2010 ARE NOTED BELOW:**

Developed a balanced budget for 2010-11 with limited impact on the educational program, including completion of successful negotiations with all employee groups to reduce the budget by \$1 million. The District was also able to complete positive certifications for the First and Second Interim Reports. The District acknowledges its strong working relationships with the Association of Piedmont Parent Clubs, the Piedmont Education Foundation, and the Lois Blair Rawlings Foundation. The aforementioned groups enabled the 2010/11 Program Preservation Fund to help prevent the District from making last minute cuts in order to balance the 2010-11 budget.

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

In considering the District Budget for the 2010-11 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. An increase of \$479,000 in ARRA federal stimulus funding and over \$600,000 in revenue limit adjustment.
2. Revenue limit income decreases 0.39% based on ADA P-2 at June 30, 2010, (based on information provided by California School Services) with a deficit of 17.963%.
3. COLA for State Categorical program projects the same as prior year, 2009-10.
4. A transfer of \$120,000 from Adult Education Fund to General Fund for support costs.

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

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Constance Hubbard, Superintendent, at Piedmont Unified School District, Piedmont, California or e-mail at [chubbard@piedmont.k12.ca.us](mailto:chubbard@piedmont.k12.ca.us).

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 17,380,036
Receivables	3,477,315
Prepaid expenses	21,060
Deferred charges	1,058,661
Capital assets not depreciated	39,799,154
Capital assets, net of accumulated depreciation	26,510,582
<b>Total Assets</b>	<b>88,246,808</b>
<b>LIABILITIES</b>	
Accounts payable	8,253,952
Interest payable	915,550
Current portion of long-term obligations	2,817,860
Noncurrent portion of long-term obligations	74,779,059
<b>Total Liabilities</b>	<b>86,766,421</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(5,302,549)
Restricted for:	
Debt service	3,563,869
Educational programs	5,458
Special revenue	235,063
Unrestricted	2,978,546
<b>Total Net Assets</b>	<b>\$ 1,480,387</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, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 21,120,018	\$ -	\$ 2,256,070	\$ (18,863,948)
Instruction-related activities:				
Supervision of instruction	612,460	-	-	(612,460)
Instructional library, media, and technology	574,616	-	-	(574,616)
School site administration	2,859,508	-	82,138	(2,777,370)
Pupil services:				
Home-to-school transportation	72,398	-	12,178	(60,220)
Food services	140,574	1,527	2,636	(136,411)
All other pupil services	1,316,990	-	5,174	(1,311,816)
General administration:				
Data processing	257,393	-	-	(257,393)
All other general administration	2,323,707	-	4,188	(2,319,519)
Plant services	3,667,490	-	34,087	(3,633,403)
Ancillary services	361,959	-	-	(361,959)
Interest on long-term obligations	2,477,858	-	-	(2,477,858)
<b>Total Governmental-Type Activities</b>	<b>\$ 35,784,971</b>	<b>\$ 1,527</b>	<b>\$ 2,396,471</b>	<b>(33,386,973)</b>
General revenues and subventions:				
				7,408,389
				4,489,510
				9,072,124
				7,240,304
				35,207
				4,532,666
			<b>Subtotal, General Revenues</b>	<b>32,778,200</b>
			<b>Change in Net Assets</b>	<b>(608,773)</b>
			Net Assets - Beginning	2,089,160
			Net Assets - Ending	<b>\$ 1,480,387</b>

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

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010**

	<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	\$ 3,953,018	\$ 8,697,849	\$ 4,473,119	\$ 256,050	\$ 17,380,036
Receivables	2,516,558	717,210	6,300	225,583	3,465,651
Due from other funds	72,000	1,500,000	-	-	1,572,000
Prepaid expenses	20,893	-	-	167	21,060
<b>Total Assets</b>	<b>\$ 6,562,469</b>	<b>\$ 10,915,059</b>	<b>\$ 4,479,419</b>	<b>\$ 481,800</b>	<b>\$ 22,438,747</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,068,423	\$ 6,183,054	\$ -	\$ 2,475	\$ 8,253,952
Due to other funds	1,500,000	-	-	72,000	1,572,000
<b>Total Liabilities</b>	<b>3,568,423</b>	<b>6,183,054</b>	<b>-</b>	<b>74,475</b>	<b>9,825,952</b>
<b>Fund Balances:</b>					
Reserved for:					
Other reservations	45,893	-	-	167	46,060
Unreserved:					
Designated	881,988	-	-	-	881,988
Undesignated, reported in:					
General Fund	2,066,165	-	-	-	2,066,165
Special revenue funds	-	-	-	336,152	336,152
Debt service funds	-	-	4,479,419	-	4,479,419
Capital projects funds	-	4,732,005	-	71,006	4,803,011
<b>Total Fund Balance</b>	<b>2,994,046</b>	<b>4,732,005</b>	<b>4,479,419</b>	<b>407,325</b>	<b>12,612,795</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,562,469</b>	<b>\$ 10,915,059</b>	<b>\$ 4,479,419</b>	<b>\$ 481,800</b>	<b>\$ 22,438,747</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, 2010**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 12,612,795</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	\$79,724,616	
Accumulated depreciation is	<u>(13,414,880)</u>	
Net Capital Assets		66,309,736
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.		1,058,661
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.		(915,550)
In the governmental funds, the receipt of the special education mandated settlement is reported as revenue in the year received. In the government-wide statements, the settlement is recorded as a receivable and payments received in the current year reduce the receivable amount.		11,664
Long-term liabilities at year end consist of:		
Bonds payable	(63,333,274)	
Bond anticipation notes	(12,025,041)	
Compensated absences (vacations)	(162,139)	
Bond premium net of amortization	(2,044,636)	
Postemployment benefits	<u>(31,829)</u>	
Total Long-Term Liabilities		(77,596,919)
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 1,480,387</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, 2010**

	<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	\$ 12,548,460	\$ -	\$ -	\$ -	\$ 12,548,460
Federal sources	1,187,993	-	-	2,439	1,190,432
Other state sources	2,854,541	-	32,617	398	2,887,556
Other local sources	12,722,344	792,922	4,476,695	569,642	18,561,603
<b>Total Revenues</b>	<b>29,313,338</b>	<b>792,922</b>	<b>4,509,312</b>	<b>572,479</b>	<b>35,188,051</b>
<b>EXPENDITURES</b>					
Current					
Instruction	20,172,956	-	-	315,519	20,488,475
Instruction-related activities:					
Supervision of instruction	594,946	-	-	-	594,946
Instructional library, media and technology	557,978	-	-	-	557,978
School site administration	2,586,567	-	-	195,879	2,782,446
Pupil services:					
Home-to-school transportation	70,646	-	-	-	70,646
Food services	-	-	-	140,574	140,574
All other pupil services	1,279,335	-	-	-	1,279,335
General administration:					
Data processing	250,387	-	-	-	250,387
All other general administration	1,383,511	-	-	120,000	1,503,511
Plant services	2,424,882	1,129,800	-	89,357	3,644,039
Facility acquisition and construction	62,000	29,051,364	-	35,095	29,148,459
Ancillary services	351,451	-	-	-	351,451
Debt service					
Principal	-	-	14,730,000	-	14,730,000
Interest and other	-	-	2,581,852	-	2,581,852
<b>Total Expenditures</b>	<b>29,734,659</b>	<b>30,181,164</b>	<b>17,311,852</b>	<b>896,424</b>	<b>78,124,099</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over Expenditures</b>	<b>(421,321)</b>	<b>(29,388,242)</b>	<b>(12,802,540)</b>	<b>(323,945)</b>	<b>(42,936,048)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	834,585	-	-	298,677	1,133,262
Other sources	-	30,997,665	14,816,575	-	45,814,240
Transfers out	(298,677)	-	-	(834,585)	(1,133,262)
<b>Net Financing Sources (Uses)</b>	<b>535,908</b>	<b>30,997,665</b>	<b>14,816,575</b>	<b>(535,908)</b>	<b>45,814,240</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>114,587</b>	<b>1,609,423</b>	<b>2,014,035</b>	<b>(859,853)</b>	<b>2,878,192</b>
<b>Fund Balance - Beginning</b>	<b>2,879,459</b>	<b>3,122,582</b>	<b>2,465,384</b>	<b>1,267,178</b>	<b>9,734,603</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,994,046</b>	<b>\$ 4,732,005</b>	<b>\$ 4,479,419</b>	<b>\$ 407,325</b>	<b>\$ 12,612,795</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 BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010**

<b>Total Net Change in Fund Balance - Governmental Funds</b>	<b>\$ 2,878,192</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	\$ (875,704)
Capital outlays	<u>29,148,459</u>
Net Expense Adjustment	28,272,755
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.	(776,411)
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).	49,233
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. This is the difference between premiums on the new debt issued in the current year and amortization of the premiums over the life of the debt.	(1,553,715)
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. This is the difference between issuance costs on the new debt issued in the current year and amortization of the issuance costs over the life of the debt.	544,861
Proceeds received from the sale of government obligation bonds is revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities.	(32,145,000)
Proceeds received from the sale of bond anticipation notes is revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities.	(11,997,665)
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.	14,730,000
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(558,727)
In the statement of activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.	(40,443)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (608,773)</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, 2010**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 264,396
<b>LIABILITIES</b>	
Due to student groups	\$ 264,396

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

#### **Component Units**

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

#### **Basis of Presentation - Fund Accounting**

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

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

#### **Major Governmental Funds**

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

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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**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, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

**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, except for State apportionment which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) may be used for any educational purpose.

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

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

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

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

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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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, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

Investments held at June 30, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Restricted Assets**

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### 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.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 50 years; equipment, 5 to 20 years.

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets, except for the net residual amounts due between governmental activities, which are presented as internal balances.

### Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.



# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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

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

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

### **Fund Balance Reserves and Designations**

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

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

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the statement of activities, except for the net residual amounts transferred between governmental activities.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 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.

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

### Property Tax

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

### New Accounting Pronouncement

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 17,380,036
Fiduciary funds	264,396
Total Deposits and Investments	<u>\$ 17,644,432</u>

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$ 290,269
Cash in revolving fund	25,000
Investments	17,329,163
Total Deposits and Investments	<u>\$ 17,644,432</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 Sections 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments by maintaining funds in the investment pool listed below. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	\$ 17,329,163	0.93
Total	<u>\$ 17,329,163</u>	

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not required to be rated, nor have they been rated as of June 30, 2010.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**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, 2010.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Custodial Credit Risk - Investments**

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

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2010, 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	\$ 296,964	\$ -	\$ -	\$ 771	\$ 297,735
State Government					
Apportionment	1,178,489	-	-	-	1,178,489
Categorical aid	204,842	-	-	-	204,842
Lottery	159,809	-	-	-	159,809
Other State	32,221	-	-	-	32,221
Local Government					
Interest	7,500	7,200	6,300	998	21,998
Other local sources	636,733	710,010	-	223,814	1,570,557
Total	<u>\$2,516,558</u>	<u>\$ 717,210</u>	<u>\$ 6,300</u>	<u>\$ 225,583</u>	<u>\$ 3,465,651</u>

Additional long term receivables include \$11,664 for a special education settlement which will be received next year.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 335,023	\$ -	\$ -	\$ 335,023
Construction in Progress	<u>12,299,211</u>	<u>29,116,459</u>	<u>1,951,539</u>	<u>39,464,131</u>
Total Capital Assets Not Being Depreciated	12,634,234	29,116,459	1,951,539	39,799,154
Capital Assets Being Depreciated:				
Land Improvements	5,767,569	-	-	5,767,569
Buildings and Improvements	32,963,115	1,951,539	1,574,573	33,340,081
Furniture and Equipment	<u>803,146</u>	<u>32,000</u>	<u>17,334</u>	<u>817,812</u>
Total Capital Assets Being Depreciated	<u>39,533,830</u>	<u>1,983,539</u>	<u>1,591,907</u>	<u>39,925,462</u>
Total Capital Assets	<u>52,168,064</u>	<u>31,099,998</u>	<u>3,543,446</u>	<u>79,724,616</u>
Less Accumulated Depreciation:				
Land Improvements	1,521,577	149,978	-	1,671,555
Buildings and Improvements	11,197,645	691,072	799,637	11,089,080
Furniture and Equipment	<u>635,450</u>	<u>34,654</u>	<u>15,859</u>	<u>654,245</u>
Total Accumulated Depreciation	<u>13,354,672</u>	<u>875,704</u>	<u>815,496</u>	<u>13,414,880</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,813,392</u>	<u>\$ 30,224,294</u>	<u>\$ 2,727,950</u>	<u>\$ 66,309,736</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 591,100
Supervision of instruction	17,514
Instructional library, media, and technology	16,638
School site administration	77,062
Home-to-school transportation	1,752
All other pupil services	37,655
Ancillary	10,508
Data processing	7,006
All other general administration	43,785
Plant services	<u>72,684</u>
Total Depreciation Expenses Governmental Activities	<u>\$ 875,704</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivables and payable balances at June 30, 2010, between major and non-major governmental funds, are as follows:

Due To	Due From		
	General Fund	Building Fund	Total
General Fund	\$ -	\$ 1,500,000	\$ 1,500,000
Non-Major Governmental Funds	72,000	-	72,000
Total	<u>\$ 72,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,572,000</u>

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, 2010, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 834,585	\$ 834,585
Non-Major Governmental funds	298,677	-	298,677
Total	<u>\$ 298,677</u>	<u>\$ 834,585</u>	<u>\$ 1,133,262</u>

The General Fund transferred to the Adult Education Fund due to restrictions relaxed by flexibility provisions.	\$ 298,677
The Deferred Maintenance Fund transferred to the General Fund due to restrictions relaxed by flexibility provisions.	300,000
The Special Reserve Non-Capital Fund transferred to the General Fund for parcel tax expenditures.	534,585
Total	<u>\$ 1,133,262</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2010, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,005,734	\$ 6,183,054	\$ 2,475	\$ 8,191,263
State apportionment	62,689	-	-	62,689
Total	<u>\$ 2,068,423</u>	<u>\$ 6,183,054</u>	<u>\$ 2,475</u>	<u>\$ 8,253,952</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2009	Additions	Accretions	Deductions	Balance June 30, 2010	Due in One Year
General obligation bonds	\$ 45,592,605	\$ 32,145,000	\$ 325,669	\$ 14,730,000	\$ 63,333,274	\$ 2,700,000
Bond anticipation notes	-	11,997,665	27,376	-	12,025,041	-
Subtotal	45,592,605	44,142,665	353,045	14,730,000	75,358,315	2,700,000
Bond premium, net	490,921	1,671,575	-	117,860	2,044,636	117,860
Accumulated vacation - net	211,372	-	-	49,233	162,139	-
Postemployment benefits obligation/(asset)	(8,614)	393,526	-	353,083	31,829	-
	<u>\$ 46,286,284</u>	<u>\$ 46,207,766</u>	<u>\$ 353,045</u>	<u>\$ 15,250,176</u>	<u>\$ 77,596,919</u>	<u>\$ 2,817,860</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation and postemployment benefits are paid by the fund for which the employee worked.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2009	Issued	Accretions	Redeemed	Outstanding June 30, 2010
6/15/2001	8/1/2018	2.5-5.25%	\$ 17,225,000	\$ 13,895,000	\$ -	\$ -	\$ 13,895,000	\$ -
1/11/2005	8/1/2020	3.0-4.0%	\$ 18,415,000	15,970,000	-	-	700,000	15,270,000
7/27/2006	8/1/2031	4.0-6.5%	\$ 14,999,934	15,727,605	-	325,669	135,000	15,918,274
10/14/2009	8/1/2034	1.0-5.0%	\$ 19,000,000	-	19,000,000	-	-	19,000,000
10/14/2009	8/1/2018	2.0-3.0%	\$ 13,145,000	-	13,145,000	-	-	13,145,000
				<u>\$ 45,592,605</u>	<u>\$ 32,145,000</u>	<u>\$ 325,669</u>	<u>\$ 14,730,000</u>	<u>\$ 63,333,274</u>



# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### Debt Service Requirements to Maturity

The bonds mature through 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 2,700,000	\$ 2,167,720	\$ 4,867,720
2012	2,385,000	2,152,363	4,537,363
2013	2,638,807	2,089,664	4,728,471
2014	2,905,281	2,027,248	4,932,529
2015	3,134,222	1,953,630	5,087,852
2016-2020	18,084,561	7,773,103	25,857,664
2021-2025	8,945,000	4,911,567	13,856,567
2026-2030	4,475,673	10,198,485	14,674,158
2031-2035	16,896,390	5,855,302	22,751,692
Total	<u>62,164,934</u>	<u>\$39,129,082</u>	<u>\$ 101,294,016</u>
Accretions to date	1,168,340		
Total	<u>\$ 63,333,274</u>		

### Bond Anticipation Notes

In May 2010, the District issued \$11,997,665 of Bond Anticipation Notes to provide bridge financing for construction projects until the next General Obligation Bond is issued. The District is required to repay the notes, plus accreted interest, at a rate of 3.740% on May 1, 2015.

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2010, amounted to \$162,139.

### Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2010, was \$393,526. The District made a contribution of \$353,083, which was more than the estimated actuarial "pay as you go" cost of \$171,418. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 8 – DEFEASED DEBT**

On June 1, 2001, January 11, 2005 and September 30, 2009, 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, 2010 all defeased debt had matured or been called and there were no amounts remaining in escrow.

On October 14, 2009, the District issued general obligation bonds of \$13,145,000 (par value) with an average interest rate of 2.630% to advance refund term bonds with interest rates ranging from 4.5% to 4.875% and a remaining par value of \$13,175,000. The term bonds mature on August 1, 2018, and are callable on November 2, 2009. The general obligation bonds were issued at par plus a premium of \$472,094 and, after paying issuance costs of \$152,667 the net proceeds were \$13,464,417. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. Government Securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on November 2, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District’s government wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$1,832,949, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,669,539.

**NOTE 9 - FUND BALANCES**

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Prepaid expenditures	20,893	-	-	167	21,060
Total Reserved	<u>45,893</u>	<u>-</u>	<u>-</u>	<u>167</u>	<u>46,060</u>
Unreserved					
Designated					
Economic uncertainties	881,988	-	-	-	881,988
Total Designated	<u>881,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,988</u>
Undesignated	2,066,165	4,732,005	4,479,419	407,158	11,684,747
Total Unreserved	<u>2,948,153</u>	<u>4,732,005</u>	<u>4,479,419</u>	<u>407,158</u>	<u>12,566,735</u>
Total	<u>\$ 2,994,046</u>	<u>\$ 4,732,005</u>	<u>\$ 4,479,419</u>	<u>\$ 407,325</u>	<u>\$ 12,612,795</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB OBLIGATION)**

**Plan Description**

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by Piedmont Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the plan consists of 44 retirees and beneficiaries currently receiving benefits and 325 active plan members.

	<u><b>Certified</b></u>	<u><b>Classified</b></u>	<u><b>Management</b></u>
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
Duration of Benefits	To Medicare Age 65*	To Medicare Age**	To Medicare age***
Required Service	10 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	Yes	No*	No*
District Contribution %	100%	100%	100%
District Cap	Least costly single coverage	Least costly single coverage	Least costly single coverage

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

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

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

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District, the District’s bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District’s bargaining units and the unrepresented groups. For fiscal year 2009-10, the District contributed \$353,083 to the plan, all of which was used for current premiums (approximately 90 percent of current year’s annual required contributions).

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 393,526
Contributions made	(353,083)
Increase in net OPEB asset	<u>40,443</u>
Net OPEB asset, beginning of year	<u>(8,614)</u>
Net OPEB obligation, end of year	<u><u>\$ 31,829</u></u>

**Trend Information**

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

Year Ended June 30	Actual Contribution	Annual OPEB Cost	Percentage Contributed	Net OPEB (Asset)/Obligation
2009	\$ 412,541	\$ 403,927	102%	\$ (8,614)
2010	\$ 353,083	\$ 393,526	90%	\$ 31,829

**Funded Status and Funding Progress**

A schedule of funding progress as of the most recent actuarial valuation date is as follows:

<b>Schedule of Funding Progress</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
April 1, 2009	\$ -	\$ 4,249,446	\$ 4,249,446	\$ -	\$ 20,340,500	21%

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Although this is the second year of implementation, there is no multiyear trend information reported because the information for 2009 and 2010 is based upon the same actuarial valuation date of April 1, 2009.

### **Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2009, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4 percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 3 percent annual increase in payroll. The remaining amortization period at August 6, 2009, was 29 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets and retiree benefits are paid annually on a cash basis.

## **NOTE 11 - RISK MANAGEMENT**

### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. During fiscal year ending June 30, 2010, the District contracted with Alameda County Schools Insurance Group JPA (ACSIG) for property and liability insurance coverage. Extended property and liability coverage was provided by NorCal Relief. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### **Workers' Compensation**

For fiscal year 2010, 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, 2010**

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

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

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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

**CalSTRS**

**Plan Description**

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

**Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 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, 2010, 2009, and 2008, were \$1,229,732, \$1,256,629, and \$1,201,832, respectively, and equal 100 percent of the required contributions for each year.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$455,712, \$410,442, and \$390,763, respectively, and equal 100 percent of the required contributions for each year.

#### Social Security

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

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$633,727 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### 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, 2010.

### Operating Lease

The District has entered into an operating lease for the use of a school site to conduct its elementary and adult school education while a building owned by the District is under reconstruction. The amended term of the lease is for twelve months expiring in June 2011. The lease agreement includes provisions for exercising two options which would extend the lease through June 2013. This agreement does not contain a purchase option. The lease agreement includes a termination clause that in the event of a breach of the agreement or noncompliance by either party, the non-defaulting party may terminate the agreement with thirty days written notice. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Lease Payment
2011	\$ 600,000
Total	\$ 600,000

### Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Havens Elementary School	\$ 3,500,000	08/05/10
Piedmont High School Quad Building and Student Center	878,000	08/01/10
Ellen Driscoll Theatre	250,000	08/01/10
	<u>\$ 4,628,000</u>	



# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### **Supplementary Early Retirement Plan**

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

### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of the Alameda County Schools Insurance Group, public entity risk pool. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationship between the District, and the JPA is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District is included in these statements. Audited financial statements are generally available from the entity.

During the year ended June 30, 2010 the District made payments of \$464,349 to Alameda County Schools Insurance Group for workers' compensation, property, and liability insurance coverage.

### **NOTE 15 – FISCAL ISSUES RELATING TO BUDGET REDUCTIONS**

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

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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, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 12,553,581	\$ 12,550,486	\$ 12,548,460	\$ (2,026)
Federal sources	1,036,868	1,184,055	1,187,993	3,938
Other State sources	2,303,258	2,324,044	2,854,541	530,497
Other local sources	12,173,018	12,573,886	12,722,344	148,458
<b>Total Revenues<sup>1</sup></b>	<b>28,066,725</b>	<b>28,632,471</b>	<b>29,313,338</b>	<b>680,867</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	15,316,477	15,369,500	15,226,063	143,437
Classified salaries	4,653,682	4,562,060	4,617,141	(55,081)
Employee benefits	6,050,062	6,038,595	6,684,644	(646,049)
Books and supplies	953,052	1,074,369	829,986	244,383
Services and operating expenditures	2,210,829	2,480,450	2,314,681	165,769
Capital outlay	-	5,000	62,144	(57,144)
<b>Total Expenditures<sup>1</sup></b>	<b>29,184,102</b>	<b>29,529,974</b>	<b>29,734,659</b>	<b>(204,685)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,117,377)</b>	<b>(897,503)</b>	<b>(421,321)</b>	<b>476,182</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	296,460	834,889	834,585	(304)
Transfers out	-	(243,029)	(298,677)	(55,648)
<b>Net Financing Sources (Uses)</b>	<b>296,460</b>	<b>591,860</b>	<b>535,908</b>	<b>(55,952)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(820,917)</b>	<b>(305,643)</b>	<b>114,587</b>	<b>420,230</b>
<b>Fund Balance - Beginning</b>	<b>2,879,459</b>	<b>2,879,459</b>	<b>2,879,459</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,058,542</b>	<b>\$ 2,573,816</b>	<b>\$ 2,994,046</b>	<b>\$ 420,230</b>

<sup>1</sup> On behalf payments of \$633,727 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( b - a  / c)</b>
April 1, 2009	\$ -	\$ 4,249,446	\$ 4,249,446	\$ -	\$ 20,340,500	21%

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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, 2010**

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, Improving Teacher Quality	84.367	14341	\$ 40,038
Title II - Part D Enhancing Education Through Technology	84.318	14334	72
Title III - Limited English Proficiency (LEP) Student Program	84.365	10084	9,212
Title IV - Part A, Safe and Drug Free Schools and Communities Elementary and Secondary Education Act	84.186	14347	5,420
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14981	41,589
ARRA: State Fiscal Stabilization Fund	84.394	25008	160,796
Special Education - State Grants			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	495,729
Preschool Local Entitlement Part B, Sec 611	84.027A	13682	22,116
Preschool Grants Part B, Sec 619	84.173	13430	12,970
ARRA - Special Education - Basic Local	84.391	15003	365,896
ARRA - Special Education - Preschool	84.392	15000	14,695
ARRA - Special Education - Preschool Local	84.391	15002	19,460
Total U.S. Department of Education			<u>1,187,993</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition, School Programs-Lunch and Breakfast	10.553	13390	2,439
Total U.S. Department of Agriculture			<u>2,439</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,190,432</u></u>

See accompanying note to supplementary information.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2010

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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 school, and an adult school. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ray Gadbois	President	2010
Roy Tolles	Vice President	2010
June Monarch	Member	2012
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, 2010**

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>ELEMENTARY</b>		
Kindergarten	173	174
First through third	505	507
Fourth through sixth	552	555
Seventh and eighth	380	380
Home and hospital	-	1
Special education	2	2
Total Elementary	<u>1,612</u>	<u>1,619</u>
<b>SECONDARY</b>		
Regular classes	772	767
Continuation education	77	75
Home and hospital	-	-
Special education	6	6
Total Secondary	<u>855</u>	<u>848</u>
Total K-12	<u>2,467</u>	<u>2,467</u>

See accompanying note to supplementary information.



**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2010**

Grade Level	1982-83	Reduced	1986-87	Reduced	2009-2010 Actual Minutes	Number of Days		Status
	Actual Minutes	1982-83 Actual Minutes	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	30,625	29,774	36,000	35,000	36,000	180	N/A	In Compliance
Grade 1	40,619	39,491	50,400	49,000	52,170	180	N/A	In Compliance
Grade 2	40,619	39,491	50,400	49,000	52,170	180	N/A	In Compliance
Grade 3	40,619	39,491	50,400	49,000	52,590	180	N/A	In Compliance
Grade 4	49,019	47,657	54,000	52,500	54,339	180	N/A	In Compliance
Grade 5	49,019	47,657	54,000	52,500	54,339	180	N/A	In Compliance
Grade 6	49,019	47,657	54,000	52,500	66,170	180	N/A	In Compliance
Grade 7	63,486	61,723	54,000	52,500	66,940	180	N/A	In Compliance
Grade 8	63,486	61,723	54,000	52,500	66,940	180	N/A	In Compliance
Grade 9	63,355	61,595	64,800	63,000	66,335	180	N/A	In Compliance
Grade 10	63,355	61,595	64,800	63,000	66,335	180	N/A	In Compliance
Grade 11	63,355	61,595	64,800	63,000	66,335	180	N/A	In Compliance
Grade 12	63,355	61,595	64,800	63,000	66,335	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, 2010

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

### FORM ASSET

Total Capital Assets, June 30, 2010, Unaudited Actuals	\$ 65,835,535
Increase in:	
Depreciation Expense-Land Improvements	(1,399)
Depreciation Expense-Buildings & Improvements	(15,845)
Decrease in:	
Accumulated depreciation-Buildings & Improvements	799,637
Accumulated depreciation-Furniture & Equipment	15,859
Decrease in:	
Buildings & Improvements	(319,051)
Furniture & Equipment	(5,000)
Total Capital Assets, June 30, 2010, Audited Financial Statement	<u>\$ 66,309,736</u>

### FORM DEBT

Total Long-Term Liabilities, June 30, 2010, Unaudited Actuals	\$ 76,751,890
Increase in:	
OPEB obligation	31,829
General Obligation Bonds	813,200
Total Long-Term Liabilities, June 30, 2010, Audited Financial Statement	<u>\$ 77,596,919</u>

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	(Budget)			
	2011 <sup>1</sup>	2010	2009	2008
<b>GENERAL FUND</b>				
Revenues <sup>3</sup>	\$ 27,954,103	\$ 29,313,338	\$ 29,711,317	\$ 28,916,940
Other sources and transfers in	3,575	834,585	134,829	3,490
Total Revenues and Other Sources	<u>27,957,678</u>	<u>30,147,923</u>	<u>29,846,146</u>	<u>28,920,430</u>
Expenditures <sup>3</sup>	28,613,827	29,734,659	29,112,397	28,712,587
Other uses and transfers out	275,519	298,677	-	150,000
Total Expenditures and Other Uses	<u>28,889,346</u>	<u>30,033,336</u>	<u>29,112,397</u>	<u>28,862,587</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ (931,668)</u>	<u>\$ 114,587</u>	<u>\$ 733,749</u>	<u>\$ 57,843</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,062,378</u>	<u>\$ 2,994,046</u>	<u>\$ 2,879,459</u>	<u>\$ 2,145,710</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 2,022,485</u>	<u>\$ 3,049,409</u>	<u>\$ 3,276,333</u>	<u>\$ 2,417,872</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<u>7.00%</u>	<u>10.37%</u>	<u>11.53%</u>	<u>8.38%</u>
<b>LONG-TERM DEBT</b>	<u>\$ 74,779,059</u>	<u>\$ 77,596,919</u>	<u>\$ 46,294,898</u>	<u>\$ 47,282,405</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>2,466</u>	<u>2,467</u>	<u>2,476</u>	<u>2,483</u>

The General Fund balance has increased by \$848,366 over the past two years. The fiscal year 2010-2011 budget projects a decrease of \$931,668 (3 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 2010-2011 fiscal year.

Average daily attendance has decreased by 16 over the past two years. A decrease of 1 ADA is anticipated during fiscal year 2010-2011.

<sup>1</sup> Budget 2011 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 \$633,727, \$686,373, and \$656,364, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2010, 2009, and 2008.

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 30,431	\$ 3,086	\$ 50,551
Receivables	114,571	12,796	97,936
Prepaid expenses	167	-	-
<b>Total Assets</b>	<b>\$ 145,169</b>	<b>\$ 15,882</b>	<b>\$ 148,487</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,656	\$ -	\$ 819
Due to other funds	60,000	12,000	-
<b>Total Liabilities</b>	<b>61,656</b>	<b>12,000</b>	<b>819</b>
<b>Fund Balances:</b>			
Reserved for:			
Other reservations	167	-	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	83,346	3,882	147,668
Capital projects funds	-	-	-
<b>Total Fund Balance</b>	<b>83,513</b>	<b>3,882</b>	<b>147,668</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 145,169</b>	<b>\$ 15,882</b>	<b>\$ 148,487</b>

See accompanying note to supplementary information.

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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>
\$ 101,076	\$ 70,906	\$ 256,050
180	100	225,583
-	-	167
<u>\$ 101,256</u>	<u>\$ 71,006</u>	<u>\$ 481,800</u>
-	-	-
-	-	2,475
-	-	72,000
-	-	<u>74,475</u>
-	-	167
101,256	-	336,152
-	71,006	71,006
<u>101,256</u>	<u>71,006</u>	<u>407,325</u>
<u>\$ 101,256</u>	<u>\$ 71,006</u>	<u>\$ 481,800</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 2,439	\$ -
Other state sources	-	-	398
Other local sources	378,591	138,411	2,468
<b>Total Revenues</b>	<b>378,591</b>	<b>140,850</b>	<b>2,866</b>
<b>EXPENDITURES</b>			
Current			
Instruction	315,519	-	-
Instruction-related activities:			
School site administration	195,879	-	-
Pupil services:			
Food services	-	140,574	-
General administration:			
All other general administration	120,000	-	-
Plant services	178	-	88,242
Facility acquisition and construction	-	-	3,095
<b>Total Expenditures</b>	<b>631,576</b>	<b>140,574</b>	<b>91,337</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>(252,985)</b>	<b>276</b>	<b>(88,471)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	298,677	-	-
Transfers out	-	-	(300,000)
<b>Net Financing Sources (Uses)</b>	<b>298,677</b>	<b>-</b>	<b>(300,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>45,692</b>	<b>276</b>	<b>(388,471)</b>
<b>Fund Balance - Beginning</b>	<b>37,821</b>	<b>3,606</b>	<b>536,139</b>
<b>Fund Balance - Ending</b>	<b>\$ 83,513</b>	<b>\$ 3,882</b>	<b>\$ 147,668</b>

See accompanying note to supplementary information.

<b>Special Reserve Non-Capital Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 2,439
-	-	398
2,269	47,903	569,642
<u>2,269</u>	<u>47,903</u>	<u>572,479</u>
-	-	315,519
-	-	195,879
-	-	140,574
-	-	120,000
-	937	89,357
-	32,000	35,095
-	<u>32,937</u>	<u>896,424</u>
2,269	14,966	(323,945)
-	-	298,677
(534,585)	-	(834,585)
<u>(534,585)</u>	<u>-</u>	<u>(535,908)</u>
(532,316)	14,966	(859,853)
633,572	56,040	1,267,178
<u>\$ 101,256</u>	<u>\$ 71,006</u>	<u>\$ 407,325</u>

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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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. Senate Bill 2 of the 2009-2010 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instructional minutes for the fiscal years 2009-2010 through 2012-2013.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.



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***INDEPENDENT AUDITORS' REPORTS***

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**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, 2010, which collectively comprise Piedmont Unified School District's basic financial statements and have issued our report thereon dated December 14, 2010. 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.

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

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

accompanying schedule of findings and questioned costs as item 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit Piedmont Unified School District's responses 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California  
December 14, 2010



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

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
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 could have a direct and material effect on each of Piedmont Unified School District's major Federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

## 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Piedmont Unified School District's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California  
December 14, 2010



**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, 2010, and have issued our report thereon dated December 14, 2010. 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 2009-10*, 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	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
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

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 14, 2010

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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, 2010**

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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 OMB 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>
84.027, 84.027A, 84.173, 84.391 (ARRA), 84.392 (ARRA), 84.391 (ARRA)	Special Education Cluster (including ARRA)

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, 2010

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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

### **2010-1 Internal Control – Associated Student Body – 30000** *Significant Deficiency*

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

Associated Student Body (ASB) funds are subject to greater loss due to the nature of the transactions being primarily cash and due to the decentralization of the accounting process. Strong internal controls over the financial reporting of the ASB cash disbursement procedures include maintaining adequate evidence supporting the approval process. Strong internal controls also include segregation of duties. Segregation of duties enhances the ability to safeguard assets by providing a system that is designed to prevent or detect errors or misappropriation of funds.

#### **Condition**

During our audit of the ASB accounts at Piedmont High School and Millennium Continuation High School in the current year and Piedmont Middle School in the prior year, we noted conditions indicating that segregation of duties is limited in some instances, and that operating controls are not functioning at their optimum levels. In particular we noted, the following:

#### Piedmont High School

- None of the 16 disbursements reviewed contained the required three signatures of approval documented on the invoice,
- None of the disbursements for receipts of goods reviewed had the required receiving documentation,
- The site was unable to provide a supporting invoice for 1 out of 16 disbursements reviewed.

#### Millennium Continuation High School

- None of the 16 disbursements reviewed had the required two signatures of approval documented on the invoice,
- The site was unable to provide supporting invoices for 5 out of 16 disbursements reviewed,
- None of the 16 disbursements reviewed had the required two signatures on the physical check,
- 10 out of 16 disbursements reviewed appeared to be a type of expenditure that is not typically paid for by an ASB expenditure,
- No evidence of an independent review of the bank reconciliations was noted,
- Attendance clerk has custody of cash, authorizes disbursements, signs checks, records entries into the general ledger, and reconciles the bank statement.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### **Questioned costs**

None.

### **Context**

All ASB cash disbursements processed at Piedmont High School, and all ASB transactions processed at Millennium Continuation High School.

### **Effect**

Without properly designed internal controls in all phases of ASB activities, opportunities exist for the intentional misuse of student funds that may go undetected.

### **Cause**

Maintaining a documentation trail that includes proper approvals and supporting documentation and approvals was not being performed. In addition, there appears to be a lack of segregation of duties over the cash disbursements process.

### **Recommendation**

While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of ASB transactions, a mitigating control that may assist in limiting the opportunities for errors or misappropriations to occur would be to have a second individual perform a monthly review of the checkbook activity and bank reconciliations and to document that review by initialing the bank reconciliations. The District should also, ensure that policies and procedures over cash disbursements are implemented at all sites.

### **District Response**

The District accepts the findings for Piedmont High School as reported. School site administration has been notified that operating controls must include required signatures.

The Business Services Office accepts the findings and responsibility for Millennium High School as reported. The site has had a change in administration over the past year, and implementation of operating controls such as segregation of duties, required signatures, and providing necessary support documentation is an emerging and developing process. The District acknowledges that some disbursements were not typical ASB expenditures; however, the vast majority of those in question were reimbursed to ASB, and ultimately did not result in diminished or lost student funds.

During the 2010-11 school year, staff will be trained on accounting procedures for ASB funding through the California Association of School Business Officials (CASBO) or with the Alameda County Office of Education (ACOE). Training will be extended to multiple staff members so that proper reconciliations and separation of duties can be performed in the future.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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None reported.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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None reported.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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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*

#### **2009-1 Internal Control - Associated Student Body - 30000**

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

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

##### Condition

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

##### Piedmont Middle School

- Pre-numbered receipts or alternate tracking systems should be used for moneys collected,
- 24 checks dated September 2008 were not deposited as of March 2009,
- The ASB bookkeeper is an authorized signer on the checks,
- The ASB bookkeeper approves disbursements,
- 4 out of 12 disbursements tested did not have supporting documents attached and the documents were unable to be located during our visit,
- None of the disbursements tested had receiving documentation,
- As of March 2009, bank reconciliations had not been performed since November 2008,
- We did not observe any evidence of an independent review of the bank reconciliations.

##### Millennium High School

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

##### **Questioned costs**

None

##### **Context**

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

# PIEDMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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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 that are designed to require an after the fact review of the activity by a second individual do not appear to be operating effectively.

### **Recommendation**

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

### **Current Status**

Not Implemented. See 2010-1 in Current Year Financial Statement Findings.