

PIEDMONT UNIFIED SCHOOL DISTRICT

MEASURE E
2006 GENERAL OBLIGATION BONDS
FINANCIAL AUDIT

JUNE 30, 2012

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E – 2006 GENERAL OBLIGATION BONDS**

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JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

Governing Board and
the Citizens' Oversight Committee
Piedmont Unified School District
Piedmont, California

We have audited the accompanying financial statements of the Piedmont Unified School District (the District), Building Fund and County School Facilities Fund (Measure E), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

As discussed in Note 1, the financial statements present only the Building Fund and County School Facilities Fund specific to Measure E and are not intended to present fairly the financial position and results of operations of Piedmont Unified School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund and County School Facilities Fund (Measure E) of the Piedmont Unified School District as of June 30, 2012, and the results of their operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013 on our consideration of the District Building and County School Facilities Funds' (Measure E) 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
March 20, 2013

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**BALANCE SHEET
JUNE 30, 2012**

ASSETS

Investments	\$ 6,159,199
Accounts receivable	<u>208,284</u>
Total Assets	<u><u>\$ 6,367,483</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 1,851,105
Due to other funds	<u>3,041</u>
Total Liabilities	<u><u>1,854,146</u></u>

FUND BALANCES

Restricted	<u>4,513,337</u>
Total Fund Balances	<u><u>4,513,337</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 6,367,483</u></u>

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

**PIEDMONT UNIFIED SCHOOL DISTRICT
 BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2012**

REVENUES	
Interest income	\$ 19,843
State revenue	8,450,954
Other local revenue	274,537
Total Revenues	<u>8,745,334</u>
 EXPENDITURES	
Current expenditures	
Books and supplies *	193,952
Services and operating expenditures *	665,127
Capital outlay	
Buildings and improvements	9,963,649
Sites and improvements	60,594
Equipment	15,729
Total Expenditures	<u>10,899,051</u>
 NET CHANGE IN FUND BALANCES	 (2,153,717)
 FUND BALANCE - BEGINNING	 6,659,599
RESTATEMENT (NOTE 7)	<u>7,455</u>
FUND BALANCE - BEGINNING RESTATED	6,667,054
 FUND BALANCE - ENDING	 <u><u>\$ 4,513,337</u></u>

*Expenditure titles as defined by California Standard Account Code Structure

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

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Piedmont Unified School District Measure E conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Piedmont Unified School District Building Fund and County School Facilities Fund account for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund and County School Facilities Fund of the Piedmont Unified School District used to account for Measure E projects. These Funds were established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2006. These financial statements are not intended to present fairly the financial position and results of operations of the Piedmont Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund and County School Facilities Fund (Measure E) are accounted for in a separate set of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund and County School Facilities Fund (Measure E) are accounted for using a 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Revenues –Non-Exchange Transactions Non-exchange transactions, in which the District receives value without directly giving equal value in return, include interest. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Investments

Investments held at June 30, 2012, 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 the County are determined by the program sponsors.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances for the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Building Fund and County School Facilities Fund (Measure E) currently does not have any nonspendable funds.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board. The Building Fund and County School Facilities Fund (Measure E) currently does not have any committed funds.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes. The Building Fund and County School Facilities Fund (Measure E) currently does not have any assigned funds.

Unassigned – all other spendable amounts. The Building Fund and County School Facilities Fund (Measure E) currently does not have any unassigned funds.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Other Local Revenue

Other local revenue consists of public donations for Beach Elementary School site renovation.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. The District is currently evaluating the impact of this Statement on the financial statements. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. The District is currently evaluating the impact of this Statement on the financial statements. Earlier implementation is encouraged.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 - INVESTMENTS

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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
County Pooled Investment Funds	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 is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a building fund and county school facilities fund investments of \$6,159,199 with the Alameda County Investment Pool. The fair value of these investments is approximately \$6,168,603 with an average maturity of 574 days.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012, consisted of the following:

Interest	\$ 8,831
Beach Elementary School Parent's Organization - reimbursement for capital improvement	192,615
Other	6,838
	<u>\$ 208,284</u>

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

Vendors payable	<u>\$ 1,851,105</u>
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NOTE 5 - INTERFUND TRANSACTIONS

Interfund payable balance at June 30, 2012 consisted of the following:

The Building Fund owes the County School Facilities Fund for general contractor	\$ 380
The Building Fund owes the General Fund for equipment damaged in transit	2,661
	<u>\$ 3,041</u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

At June 30, 2012, the Building Fund and County School Facilities Fund (Measure E) had the following commitment with respect to an unfinished capital project:

<u>2006 General Obligation Bond</u>	Remaining Construction Commitment	Expected Date of Completion
Beach Elementary School Seismic Renovation	<u>\$ 2,163,758</u>	08/01/12

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - COMMITMENTS AND CONTINGENCIES (continued)

Litigation

The District is involved from time to time 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, 2012.

NOTE 7 – FUND BALANCE RESTATEMENT

During fiscal year 2011, bond-related activity was recorded in the Building Fund and the County School Facilities Fund. At June 30, 2011, the Piedmont Unified School District's Measure E financial statements did not include the County School Facilities Fund. At June 30, 2012, beginning fund balance were restated by \$7,455 to include the County School Facilities Fund.

INDEPENDENT AUDITORS' REPORT



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

VALUE THE DIFFERENCE

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

Governing Board and
the Citizens' Oversight Committee
Piedmont Unified School District
Piedmont, California

We have audited the accompanying financial statements of the Piedmont Unified School District (the District) Building Fund and County School Facilities Fund Measure E, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 20, 2013. 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

Management of the Piedmont Unified School District is responsible for establishing and maintaining effective 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 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, management, and the Measure E Citizens' Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinek, Trine, Day & Co., LLP

Pleasanton, California
March 20, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2012**

None reported.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2012**

None reported.