

PIEDMONT UNIFIED SCHOOL DISTRICT

**2006 GENERAL OBLIGATION BONDS
FINANCIAL REPORT
JUNE 30, 2008**

PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND
2006 GENERAL OBLIGATION BOND RESOURCE

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Citizen's Fiscal Oversight Committee
And Governing Board
Piedmont Unified School District
Piedmont, California

We have audited the accompanying financial statements of the Building Fund, 2006 General Obligation Bond Resource, of the Piedmont Unified School District, as of and for the year ended June 30, 2008, 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. 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, 2006 General Obligation Bond Resource, and do not purport to, and do not, present fairly the financial position and results of operations of the 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, 2006 General Obligation Bond Resource, of the Piedmont Unified School District at June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
January 16, 2008

PIEDMONT UNIFIED SCHOOL DISTRICT

**BUILDING FUND –2006 GENERAL OBLIGATION BOND RESOURCE
BALANCE SHEET
JUNE 30, 2008**

ASSETS

Cash and investments	\$ 10,137,217
Accounts receivable	<u>3,270</u>
Total Assets	<u>\$ 10,140,487</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 537,574
Due to general fund	<u>135,000</u>
Total Liabilities	<u>672,574</u>

FUND EQUITY

Fund balances	
Undesignated	<u>9,467,913</u>
Total Fund Equity	<u>9,467,913</u>
Total Liabilities and Fund Equity	<u>\$ 10,140,487</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**BUILDING FUND – 2006 GENERAL OBLIGATION BOND RESOURCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

REVENUES	
Interest income	\$ 590,954
Total Revenues	<u>590,954</u>
EXPENDITURES	
Current expenditures	
Books and supplies	16,998
Services and operating expenditures	84,133
Capital outlay	
Buildings	3,247,178
Sites and improvements	<u>8,303</u>
Total Expenditures	<u>3,356,612</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(2,765,658)
FUND BALANCE, BEGINNING OF YEAR	<u>12,233,571</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,467,913</u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

BUILDING FUND – 2006 GENERAL OBLIGATION BOND RESOURCE NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Piedmont Unified School District Building Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Piedmont Unified School District Building Fund, 2006 General Obligation Bond Resource, accounts 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, 2006 General Obligation Bond Resource, of the Piedmont Unified School District. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2006. The authorized issuance amount of the 2006 bonds is \$56,000,000. The first series of the 2006 bonds in the amount of \$15,000,000 have been sold. 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, 2006 General Obligation Bond Resource, are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Piedmont Unified School District Building Fund, 2006 General Obligation Resource are accounted for under the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. No amounts were reserved or designated at June 30, 2008.

PIEDMONT UNIFIED SCHOOL DISTRICT

BUILDING FUND – 2006 GENERAL OBLIGATION BOND RESOURCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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.

NOTE #2 – INVESTMENTS

Investments Authorized Under Debt Agreements - 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. The Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

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

PIEDMONT UNIFIED SCHOOL DISTRICT

**BUILDING FUND – 2006 GENERAL OBLIGATION BOND RESOURCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool

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

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 maintaining funds in the investment pools listed below. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
County Pool	\$ 17,152	0.92
State Investment Pool	10,120,065	0.58
Total	<u>\$ 10,137,217</u>	

NOTE #3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2008 consist of the following:

Interest	<u>\$ 3,270</u>
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NOTE #4 – ACCOUNTS PAYABLE

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

Vendor payables	<u>\$ 537,574</u>
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PIEDMONT UNIFIED SCHOOL DISTRICT

**BUILDING FUND – 2006 GENERAL OBLIGATION BOND RESOURCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #5 – DUE TO OTHER FUNDS

Amounts due to the other funds at June 30, 2008, consisted of \$135,000 of short term borrowing from the District general fund. The bond fund borrowing was a result of the need to transfer a portion of the bond proceeds invested in LAIF to a more liquid County Cash account to pay for current expenses. The transfer was completed after June 30, 2008 and the District general fund was repaid.

NOTE #6 – LONG-TERM DEBT

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the Piedmont Unified School District. The data presented below is for informational purposes only.

The following provides information on the outstanding general obligation bonds:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Beginning Of Year</u>	<u>Interest Accretion</u>	<u>Redeemed</u>	<u>End Of Year</u>
7/27/06	8/1/2031	4.00-6.50%	\$ 14,999,934	\$ 15,244,782	\$ 290,357	\$ 45,000	\$ 15,490,139

Debt Service Requirements

The general obligation bonds mature through 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 70,000	\$ 463,331	\$ 533,331
2010	135,000	456,669	591,669
2011	150,000	448,532	598,532
2012	208,807	487,225	696,032
2013	205,281	483,251	688,532
2014-2018	1,293,783	2,258,226	3,552,009
2019-2023	4,660,000	1,461,045	6,121,045
2024-2028	5,412,807	3,488,174	8,900,981
2029-2032	2,819,256	6,460,777	9,280,033
Total	\$ 14,954,934	\$ 16,007,230	\$ 30,962,164
Interest accreted to date	535,205		
	<u>\$ 15,490,139</u>		

PIEDMONT UNIFIED SCHOOL DISTRICT

BUILDING FUND – 2006 GENERAL OBLIGATION BOND RESOURCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #7 – COMMITMENTS AND CONTIGNENCIES

As of June 30, 2008, the Building Fund, 2006 General Obligation Bond Resource, had the following commitments with respect to unfinished capital projects:

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