

**PIEDMONT UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

PIEDMONT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Piedmont Unified School District
Piedmont, California

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund-budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the district's proportionate share of net pension liability, and schedule of district contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Piedmont Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the Piedmont Unified School 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 solely 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 effectiveness of Piedmont Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Piedmont Unified School District's internal control over financial reporting and compliance.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

This section of Piedmont Unified School District's (the District) 2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. 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 (including capital assets) and deferred outflows of the District as well as all liabilities (including long-term liabilities) and deferred inflows. 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 Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and deferred outflows and liabilities and deferred inflows 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 position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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, 2017

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 Position* and the *Statement of Activities* we include the District activities as follows:

Governmental Activities - The District reports all of its services 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 - Most 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 *Fiduciary Fund - Statement of Net Position*. 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, 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position was (\$19,775,963), and (\$16,914,348) for the fiscal years ended June 30, 2017 and 2016, respectively. Of this amount, (\$27,692,825) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Current and other assets	\$ 39,007,960	\$ 13,320,553
Capital assets	77,293,334	79,408,576
Total Assets	116,301,294	92,729,129
 DEFERRED OUTFLOWS OF RESOURCES	 9,202,471	 4,638,755
Current liabilities	6,250,851	7,307,281
Long-term liabilities other than pension liability	99,200,631	71,991,599
Aggregate net pension liability	36,400,768	31,728,531
Total Liabilities	141,852,250	111,027,411
 DEFERRED INFLOWS OF RESOURCES	 3,427,478	 3,254,821
Net position		
Net investment capital assets	405,879	3,473,201
Restricted	7,510,983	5,535,558
Unrestricted	(27,692,825)	(25,923,107)
Total Net Position	\$ (19,775,963)	\$ (16,914,348)

The (\$27,692,825) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues		
Operating grants and contributions	\$ 5,350,591	\$ 7,881,026
General revenues:		
Federal and State aid	10,123,755	11,114,664
Property taxes	26,666,552	26,212,896
Other general revenues	4,950,362	5,345,820
Total Revenues	47,091,260	50,554,406
Expenses		
Instruction related	34,854,969	35,114,294
Student support services	2,866,089	2,850,241
Administration	3,277,745	2,986,738
Maintenance and operations	4,204,216	3,384,288
Other	4,749,856	3,598,759
Total Expenses	49,952,875	47,934,320
Change in Net Position	\$ (2,861,615)	\$ 2,620,086

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$49,952,875. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$26.7 million because part of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$5.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$10.2 million 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, 2017

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 28,764,011	\$ 27,660,840	\$ 25,486,434	\$ 24,382,594
Instruction related activities	6,090,958	7,453,454	5,633,633	3,929,023
Pupil services	2,866,089	2,850,241	2,715,340	2,695,663
General administration	3,277,745	2,986,738	3,260,775	2,967,561
Plant services	4,204,216	3,384,288	4,129,425	3,299,036
Other	4,749,856	3,598,759	3,376,677	2,779,417
Totals	\$ 49,952,875	\$ 47,934,320	\$ 44,602,284	\$ 40,053,294

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$37,587,600 which is an increase of \$26,354,134 from last year.

The primary reasons for the change between 2016 and 2017 are:

- Issuance of the first series of the Measure H1 government obligation (G.O.) bonds for \$26,000,000. Net of the cost of issuance, the District received \$25,843,795 in proceeds. Proceeds were deposited into the Building Fund 21.
- Conversely, some other funds (Adult Education, Fund 11) had some carryover money from 2015-16 that was spent down in 2016-17.

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 in June 28, 2017. 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 61.

The primary reason for the changes in the revenues and expenditures between the original and final budgets and the actual amounts is the spending down of carryover funds.

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

The District originally projected a decrease in the general fund of \$413,486 and the actual net change in fund balance is a decrease of \$1,159,262. Although revenues were up \$405,721 more than originally projected, expenditures were correspondingly up by \$1,146,497 more than originally projected. As part of the expenditures, the District transferred \$50,000 to the Special Reserve Fund for Capital Outlay Projects, and \$5,000 to the Self-Insurance Fund. The District monitored expenditures closely to be able to continue providing all programs.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$77,293,334 in a broad range of capital assets (net of depreciation), including land and improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$2,115,242 from last year due to fewer acquisitions offset by current year depreciation.

Table 4

	Governmental Activities	
	2017	2016
Land and improvements	\$ 3,290,717	\$ 3,374,043
Buildings and improvements	73,616,510	75,903,222
Furniture and equipment	104,728	131,311
Construction in progress	281,379	-
Totals	\$ 77,293,334	\$ 79,408,576

Additional detail on capital assets can be found in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$139,494,428 of long term debt outstanding versus \$107,918,155 last year, an increase of 29.3 percent. The long term obligations outstanding consisted of:

Table 5

	Governmental Activities	
	2017	2016
General obligation bonds	\$ 95,546,395	\$ 71,749,416
General obligation bond premiums	7,191,942	4,185,960
Accumulated vacation	142,338	109,464
Postemployment benefits	212,985	144,784
Aggregate net pension liability	36,400,768	31,728,531
Totals	\$ 139,494,428	\$ 107,918,155

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

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 ARE NOTED BELOW:

The District developed a balanced budget for 2016-17 with limited impact on the educational program, including completion of successful negotiations with all employee groups. 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 Piedmont Education Foundation (PEF), Piedmont's various parent clubs, and other support groups. Also, the District was able to reserve \$2.7 million for 2016-17.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-17 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. The Fiscal Crisis Management Assistance Team (FCMAT) LCFF calculator with DOF Gap Funding rates are used to provide the multi-year projections.
2. Parcel Tax Revenue includes a 2% increase from prior year's amount.
3. Funds raised by the Piedmont Education Foundation to support programs represent an integral part of the District's budget representing over \$2.4 million per year.
4. The Piedmont Education Foundation Endowment Fund support is provided at \$290,000 per year; an increase of \$15,000 over 2015-16.
5. District enrollment is projected to be 14 fewer students than 2015-16; the 2015-16 P-2 ADA has been applied to the LCFF base for 2016-17.

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:

Randall Booker
Superintendent
Piedmont Unified School District
Piedmont, CA 94611
OR
rbooker@piedmont.k12.ca.us

PIEDMONT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 37,762,965
Receivables	1,206,517
Prepaid expenses	38,478
Capital assets not depreciated	616,402
Capital assets, net of accumulated depreciation	76,676,932
Total Assets	116,301,294
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to debt refunding	872,154
Deferred outflows of resources related to pension	8,330,317
Total Deferred Outflows of Resources	9,202,471
LIABILITIES	
Accounts payable	1,420,360
Interest payable	937,462
Long Term Obligations:	
Current portion of long-term obligations other than pensions	3,893,029
Noncurrent portion of long-term obligations other than pensions	99,200,631
Total Long-Term Obligations	103,093,660
Aggregate net pension liability	36,400,768
Total Liabilities	141,852,250
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to debt refunding	480,000
Deferred inflows of resources related to pensions	2,947,478
Total Deferred Inflows of Resources	3,427,478
NET POSITION	
Net investment in capital assets	405,879
Restricted for:	
Debt service	6,640,195
Capital projects	719,560
Educational programs	142,626
Special revenue	8,602
Unrestricted	(27,692,825)
Total Net Position	\$ (19,775,963)

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

PIEDMONT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 28,764,011	\$ -	\$ 3,277,577	\$ -	\$ (25,486,434)
Instruction-related activities:					
Supervision of instruction	1,051,892	-	38,762	-	(1,013,130)
Instructional library, media, and technology	702,961	-	29,765	-	(673,196)
School site administration	4,336,105	-	388,798	-	(3,947,307)
Pupil services:					
Home-to-school transportation	117,581	-	-	-	(117,581)
Food services	753,940	-	5,504	-	(748,436)
All other pupil services	1,994,568	-	145,245	-	(1,849,323)
General administration:					
Data processing	948,415	-	-	-	(948,415)
All other general administration	2,329,330	-	16,970	-	(2,312,360)
Plant services	4,204,216	-	74,791	-	(4,129,425)
Ancillary services	580,276	-	4,339	-	(575,937)
Enterprise services	6,998	-	-	-	(6,998)
Interest on long-term obligations	4,162,582	-	-	-	(4,162,582)
Other outgo	-	-	1,368,840	-	1,368,840
Total Governmental Activities	\$ 49,952,875	\$ -	\$ 5,350,591	\$ -	(44,602,284)
General revenues and subventions:					
Property taxes, levied for general purposes					11,523,264
Property taxes, levied for debt service					5,152,322
Taxes levied for other specific purposes					9,990,966
Federal and State aid not restricted to specific purposes					10,123,755
Interest and investment earnings					59,173
Special and extraordinary items					20,482,355
Miscellaneous					(15,591,166)
Subtotal, General Revenues					41,740,669
Change in Net Position					(2,861,615)
Net Position - Beginning					(16,914,348)
Net Position - Ending					\$ (19,775,963)

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

PIEDMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 3,547,748	\$ 25,458,728	\$ 771,331
Receivables	1,173,453	23	14,261
Due from other funds	(2)	-	-
Prepaid expenses	38,478	-	-
Total Assets	\$ 4,759,677	\$ 25,458,751	\$ 785,592
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,263,950	\$ 143,896	\$ -
Due to other funds	-	-	-
Total Liabilities	1,263,950	143,896	-
Fund Balances:			
Nonspendable	63,478	-	-
Restricted	142,626	25,314,855	785,592
Committed	666,915	-	-
Assigned	-	-	-
Unassigned	2,622,708	-	-
Total Fund Balances	3,495,727	25,314,855	785,592
Total Liabilities and Fund Balances	\$ 4,759,677	\$ 25,458,751	\$ 785,592

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 7,569,803	\$ 415,355	\$ 37,762,965
7,854	10,926	1,206,517
-	-	(2)
-	-	38,478
<u>\$ 7,577,657</u>	<u>\$ 426,281</u>	<u>\$ 39,007,958</u>

\$ -	\$ 12,514	\$ 1,420,360
-	(2)	(2)
-	12,512	1,420,358

-	-	63,478
7,577,657	86,443	33,907,173
-	317,143	984,058
-	10,183	10,183
-	-	2,622,708
<u>7,577,657</u>	<u>413,769</u>	<u>37,587,600</u>
<u>\$ 7,577,657</u>	<u>\$ 426,281</u>	<u>\$ 39,007,958</u>

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 POSITION JUNE 30, 2017

Total Fund Balance - Governmental Funds **\$ 37,587,600**

**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 102,454,152	
Accumulated depreciation is	<u>(25,160,818)</u>	
Net Capital Assets		77,293,334

Pension contributions subsequent to the measurement date; the difference between
projected and actual earnings on pension plan investments; and the difference
between expected and actual experience in the measurement of the total pension
liability are not recognized on the modified accrual basis, but are recognized on
the accrual basis as an adjustment to pension expense. 8,330,317

Loss on debt refunding is not reported in governmental funds but relates to
future periods and is reported as a deferred outflow of resources on the
Statement of Net Position. 872,154

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. (937,462)

Gain on debt refunding is not reported in governmental funds but relates to
future periods and is reported as a deferred inflow of resources on the
Statement of Net Position. (480,000)

The difference between projected and actual earnings on pension plan
investments; and the difference between expected and actual experience in the
measurement of the total pension liability are not recognized on the modified
accrual basis, but are recognized on the accrual basis as an adjustment to pension
expense. (2,947,478)

Long-term liabilities are reported on the statement of net position and not on the
fund statements and at year end consist of:

Bonds payable	\$ (95,546,395)	
Compensated absences (vacations)	(142,338)	
Bond premium net of amortization	(7,191,942)	
Postemployment benefits	(212,985)	
Net pension liability	<u>(36,400,768)</u>	
Total Long-Term Liabilities		(139,494,428)
Total Net Position - Governmental Activities		<u><u>\$ (19,775,963)</u></u>

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

PIEDMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
REVENUES			
Local Control Funding Formula	\$ 20,429,606	\$ -	\$ -
Federal sources	704,676	-	-
Other state sources	3,537,972	-	-
Other local sources	15,571,660	139	46,636
Total Revenues	40,243,914	139	46,636
EXPENDITURES			
Current			
Instruction	26,828,347	-	-
Instruction-related activities:			
Supervision of instruction	983,437	-	-
Instructional library, media and technology	657,213	-	-
School site administration	4,023,186	-	-
Pupil services:			
Home-to-school transportation	109,929	-	-
Food services	3,008	-	-
All other pupil services	1,864,766	-	-
General administration:			
Data processing	886,694	-	-
All other general administration	2,177,742	-	-
Plant services	3,078,370	277,605	34,476
Facility acquisition and construction	192,969	407,680	6,471
Ancillary services	542,513	-	-
Enterprise services	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	41,348,174	685,285	40,947
Excess (Deficiency) of			
Revenues Over Expenditures	(1,104,260)	(685,146)	5,689
Other Financing Sources (Uses):			
Transfers in	-	-	50,000
Other sources	-	26,000,000	-
Transfers out	(55,000)	-	-
Other uses	-	-	-
Net Financing Sources (Uses)	(55,000)	26,000,000	50,000
NET CHANGE IN FUND BALANCES	(1,159,260)	25,314,854	55,689
Fund Balance - Beginning	4,654,987	1	729,903
Fund Balance - Ending	\$ 3,495,727	\$ 25,314,855	\$ 785,592

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 20,429,606
489,706	5,504	1,199,886
26,447	-	3,564,419
5,963,230	827,336	22,409,001
6,479,383	832,840	47,602,912
-	-	26,828,347
-	-	983,437
-	-	657,213
-	-	4,023,186
-	-	109,929
-	701,867	704,875
-	-	1,864,766
-	-	886,694
-	-	2,177,742
-	14,648	3,405,099
-	(52,430)	554,690
-	-	542,513
-	6,863	6,863
4,605,000	-	4,605,000
4,220,779	-	4,220,779
8,825,779	670,948	51,571,133
(2,346,396)	161,892	(3,968,221)
-	5,000	55,000
20,482,355	-	46,482,355
-	-	(55,000)
(16,160,000)	-	(16,160,000)
4,322,355	5,000	30,322,355
1,975,959	166,892	26,354,134
5,601,698	246,877	11,233,466
\$ 7,577,657	\$ 413,769	\$ 37,587,600

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, 2017

Total Net Change in Fund Balance - Governmental Funds **\$ 26,354,134**
Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities.

This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense	\$ (2,107,837)	
Capital outlays	<u>334,468</u>	
Net Expense Adjustment		(1,773,369)

Loss on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds. (341,973)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned or used 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).

(32,874)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(1,443,522)

Premiums and refunding gains and losses 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.

335,469

Proceeds received from the sale of government obligation bonds, including premiums, is revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

(29,409,007)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

3,795,000

Loss on refunding bonds are recorded in the Statement of Net Position as deferred outflows but are not recorded in governmental funds.

615,000

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.

(892,272)

In the Statement of Activities, the OPEB Annual Required Contribution (ARC) is recognized as an expense but in the governmental funds the amount paid in cash is an expenditure.

(68,201)

Change in Net Position of Governmental Activities

\$ (2,861,615)

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

PIEDMONT UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Agency Funds
ASSETS	
Deposits and investments	\$ 286,394
LIABILITIES	
Due to student groups	\$ 286,394

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Piedmont Unified School District (the 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 one 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 accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for other than Capital Outlay do not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve for other than Capital Outlay being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, liabilities, fund balance, revenues and expenditures of \$1,080,953, \$125,998, \$960,619, \$844,500, and \$1,569,356, respectively.

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.

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).

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, major capital projects, or debt service) that are restricted or committed expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District only has one fiduciary fund, which is an agency fund.

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

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function. 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.

Net position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their use.

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned 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, 2017, 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 investment pool is determined by the program sponsor.

Restricted Assets

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

Prepaid Expenditures

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

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 improvements and buildings. 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 position. 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 position, 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 position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Debt Premiums and Discounts

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities, fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, pension contributions subsequent to measurement date, net change in proportionate share of the net pension liability, and the difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt and for the difference between expected and actual experience in the measurement of the total pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances – Governmental Funds

As of June 30, 2017, fund balances of 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.

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 resolution or other action as approved by the governing board.

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 associate superintendent of business services may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Spending Order Policy

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 had provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted minimum fund balance for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets 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 position is 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 position is available.

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Property Tax

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

Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows

Governmental activities	\$ 37,762,965
Fiduciary funds	286,394
Total Deposits and Investments	<u>\$ 38,049,359</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 376,324
Cash in revolving fund	25,000
Investments	37,648,035
Total Deposits and Investments	<u>\$ 38,049,359</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, 2017

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 Days
County Pool	\$ 37,648,035	393
Total	<u>\$ 37,648,035</u>	

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017.

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, 2017.

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, 2017, approximately \$145,300 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Treasury Investments are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 37,648,035	\$ -	\$ -	\$ -	37,648,035
Total	\$ 37,648,035	\$ -	\$ -	\$ -	\$ 37,648,035

All assets have been valued using a market approach, with quoted market prices.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 429,467	\$ -	\$ -	\$ -	\$ -	\$ 429,467
State Government						
Categorical aid	76,800	-	-	-	-	76,800
Lottery	253,918	-	-	-	-	253,918
Local Government						
Interest	14,971	23	1,096	7,854	180	24,124
Other local sources	398,297	-	13,165	-	10,746	422,208
Total	<u>\$ 1,173,453</u>	<u>\$ 23</u>	<u>\$ 14,261</u>	<u>\$ 7,854</u>	<u>\$ 10,926</u>	<u>\$ 1,206,517</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Adjustments	Transfers \ Dispositions	Balance June 30, 2017
Governmental Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 335,023	\$ -	\$ -	\$ -	\$ 335,023
Construction in Progress	-	281,379	-	-	281,379
Total Capital Assets					
Not Being Depreciated	335,023	281,379	-	-	616,402
Capital Assets Being Depreciated:					
Land Improvements	5,272,703	18,200	2,000	-	5,292,903
Buildings and Improvements	95,958,832	29,879	(341,973)	-	95,646,738
Furniture and Equipment	894,999	5,110	(2,000)	-	898,109
Total Capital Assets Being					
Depreciated	102,126,534	53,189	(341,973)	-	101,837,750
Total Capital Assets	102,461,557	334,568	(341,973)	-	102,454,152
Less Accumulated Depreciation:					
Land Improvements	2,233,683	103,526	-	-	2,337,209
Buildings and Improvements	20,055,610	1,974,618	-	-	22,030,228
Furniture and Equipment	763,688	29,693	-	-	793,381
Total Accumulated Depreciation	23,052,981	2,107,837	-	-	25,160,818
Governmental Activities Capital					
Assets, Net	<u>\$ 79,408,576</u>	<u>\$ (1,773,269)</u>	<u>\$ (341,973)</u>	<u>\$ -</u>	<u>\$ 77,293,334</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Governmental Activities

Instruction	\$ 1,340,558
Supervision of instruction	49,140
Instructional library, media, and technology	32,840
School site administration	201,030
Home-to-school transportation	5,493
Food services	35,221
All other pupil services	93,178
Ancillary	27,108
Data processing	44,306
All other general administration	108,817
Plant services	170,146
Total Depreciation Expenses Governmental Activities	<u>\$ 2,107,837</u>

NOTE 6– 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 receivable payable balances at June 30, 2017, between major and non-major governmental funds are as follows:

		Due From	
		Non-Major Governmental Funds	Total
Due To			
General Fund		\$ (2)	\$ (2)
Total		<u>\$ (2)</u>	<u>\$ (2)</u>

The balance of \$2 due from the cafeteria fund to the general fund is due to a typographical error.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer To	Transfer From	
	General Fund	Total
Non-Major Governmental Funds	\$ 55,000	\$ 55,000
Total	<u>\$ 55,000</u>	<u>\$ 55,000</u>

The General Fund transferred to the Special Reserve Capital Outlay Fund to reserve for future sports field repairs.

\$ 50,000

The General Fund transferred to the Self Insurance Fund to set aside funds for preventative measures related to potential worker's compensation claims.

5,000

Total

\$ 55,000

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.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,263,950	\$ 143,896	\$ 12,514	\$ 1,420,360
Total	<u>\$ 1,263,950</u>	<u>\$ 143,896</u>	<u>\$ 12,514</u>	<u>\$ 1,420,360</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Accretions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 71,749,416	\$ 42,775,000	\$ 976,979	\$ 19,955,000	\$ 95,546,395	\$ 3,340,000
Bond premium, net	4,185,960	3,409,007	-	403,025	7,191,942	553,029
Compensated absences	109,464	32,874	-	-	142,338	-
Postemployment benefits obligation	144,784	68,201	-	-	212,985	-
Aggregate net pension liability	31,728,531	4,672,237	-	-	36,400,768	-
Total	<u>\$ 107,918,155</u>	<u>\$ 50,957,319</u>	<u>\$ 976,979</u>	<u>\$ 20,358,025</u>	<u>\$ 139,494,428</u>	<u>\$ 3,893,029</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation and postemployment benefit obligation, and the aggregate net pension liabilities 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 Outstanding July 1, 2016	Issued	Accretions	Redeemed	Bonds Outstanding June 30, 2017
7/27/2006	8/1/2031	4.0-6.5%	\$ 14,999,934	\$ 325,000	\$ -	\$ -	\$ 325,000	\$ -
10/14/2009	8/1/2034	1.0-5.0%	\$ 19,000,000	16,640,000	-	-	16,640,000	-
10/14/2009	8/1/2018	2.0-3.0%	\$ 13,145,000	5,680,000	-	-	1,640,000	4,040,000
4/20/2011	5/1/2026	5.75%	\$ 10,000,000	10,000,000	-	-	-	10,000,000
8/23/2013	8/1/2043	5.3-6.3%	\$ 11,998,678	14,454,416	-	976,979	-	15,431,395
11/13/2014	8/1/2020	2.0-5.0%	\$ 9,965,000	8,575,000	-	-	1,350,000	7,225,000
3/10/2015	8/1/2031	2.0-5.0%	\$ 16,075,000	16,075,000	-	-	-	16,075,000
4/12/2017	8/1/2046	5.00%	\$ 26,000,000	-	26,000,000	-	-	26,000,000
4/12/2017	8/1/2034	3.125-5.0%	\$ 16,775,000	-	16,775,000	-	-	16,775,000
				<u>\$ 71,749,416</u>	<u>\$ 42,775,000</u>	<u>\$ 976,979</u>	<u>\$ 19,955,000</u>	<u>\$ 95,546,395</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Debt Service Requirements to Maturity

The bonds mature through fiscal year 2047 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 3,340,000	\$ 2,913,692	\$ 6,253,692
2019	5,945,000	3,125,051	9,070,051
2020	4,775,000	2,903,451	7,678,451
2021	3,185,000	2,736,326	5,921,326
2022	685,000	2,666,251	3,351,251
2023-2027	15,770,000	12,098,722	27,868,722
2028-2032	15,713,279	9,635,700	25,348,979
2033-2037	25,118,413	43,133,282	68,251,695
2038-2042	8,326,986	14,324,339	22,651,325
2043-2047	9,255,000	982,500	10,237,500
Total	92,113,678	\$ 94,519,314	\$ 186,632,992
Accretions to date	3,432,717		
Total	\$ 95,546,395		

On March 10, 2015, the District issued General Obligation Refunding Bonds in the amount of \$16,075,000 for the purpose of refunding portions of the 2006 Series A and B General Obligation Bonds. The economic gain on the advance refunding was \$2,541,472, and the accounting gain was \$184,408.

On April 12, 2017, the District issued General Obligation Refunding Bonds in the amount of \$16,775,000 for the purpose of refunding all of the 2006 Series C General Obligation Bonds. The economic gain on the advance refunding was \$1,517,583, and the accounting loss was \$615,000.

On April 12, 2017, the District issued \$26,000,000 in General Obligation bonds to provide funding to finance new construction to improve educational facilities and equipment to support advanced courses in math, science, engineering, arts and technology and to repair and modernize aging educational facilities and systems.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$142,338.

NOTE 9 – DEFEASED DEBT

On April 12, 2017, the District defeased general obligation bonds issued in 2006 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund with an escrow agent. 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. The balance in the escrow account at June 30, 2017, was \$17,521,065.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Prepaid expenditures	38,478	-	-	-	-	38,478
Total Nonspendable	<u>63,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,478</u>
Restricted						
Legally restricted programs	142,626	25,314,855	-	-	8,602	25,466,083
Capital projects	-	-	785,592	-	77,841	863,433
Debt services	-	-	-	7,577,657	-	7,577,657
Total Restricted	<u>142,626</u>	<u>25,314,855</u>	<u>785,592</u>	<u>7,577,657</u>	<u>86,443</u>	<u>33,907,173</u>
Committed						
Deferred maintenance program	241,812	-	-	-	-	241,812
Adult Ed Program	425,103	-	-	-	-	425,103
Cafeteria program	-	-	-	-	317,143	317,143
Total Committed	<u>666,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,143</u>	<u>984,058</u>
Assigned						
Other	-	-	-	-	10,183	10,183
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,183</u>	<u>10,183</u>
Unassigned						
Reserve for economic uncertainties	1,887,057	-	-	-	-	1,887,057
Remaining unassigned	735,651	-	-	-	-	735,651
Total Unassigned	<u>2,622,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,622,708</u>
Total	<u>\$ 3,495,727</u>	<u>\$ 25,314,855</u>	<u>\$ 785,592</u>	<u>\$ 7,577,657</u>	<u>\$ 413,769</u>	<u>\$ 37,587,600</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET/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 88 retirees and beneficiaries currently receiving benefits and 371 active plan members.

	Certified	Classified	Management
Benefit types provided	Medical and dental 5 years but not beyond	Medical and dental 5 years but not beyond	Medical and dental 5 years but not beyond
Duration of Benefits	Medicare age*	Medicare age**	Medicare age***
Required Service	10 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	No	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 if not on the top step of the salary schedule.

** 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 2016-2017 the Annual Required Contribution was \$442,047 and the District contributed \$373,846 to the Plan, all of which was used for current premiums (approximately 85 percent of current year's annual required contributions).

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Annual OPEB Cost and Net OPEB Asset/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 asset/obligation to the Plan:

Annual required contribution	\$ 442,047
Annual OPEB cost (expense)	<u>442,047</u>
Contributions made	<u>(373,846)</u>
Increase in net OPEB asset/obligation	68,201
Net OPEB asset/obligation, beginning of year	<u>144,784</u>
Net OPEB asset/obligation, end of year	<u><u>\$ 212,985</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/obligation was as follows:

Year Ended June 30	Actual Contribution	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset/Obligation
2015	\$ 401,960	\$ 498,058	81%	\$ 106,293
2016	392,680	431,171	85%	144,784
2017	373,846	442,047	85%	212,985

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 September 1, 2015, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4.0 percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 2.75 percent annual increase in payroll. The remaining amortization period at September 1, 2015, was 25 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 12 - 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, 2017, the District contracted with Alameda County Schools Insurance Group (ACSIG) JPA 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 2017, the District participated in the ACSIG, an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

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

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Insurance Program / Company Name	Type of Coverage	Limits
Alameda County Schools Insurance Group (ACSIG)	Workers Compensation	Statutory Limit
<u>Excess Property and Liability Program</u>		
NorCal Relief	Property	\$500 - \$250,250,000
NorCal Relief	Liability	\$50,000 - \$50,000,000
<u>Property and Liability Program</u>		
Schools Association For Excess Risk (SAFER)	Excess Property	\$250,000 - \$250,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	\$1,000,000 - \$25,000,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 27,718,731	\$ 5,759,757	\$ 2,512,601	\$ 2,638,810
CalPERS	8,682,037	2,570,560	434,877	1,165,390
Total	<u>\$ 36,400,768</u>	<u>\$ 8,330,317</u>	<u>\$ 2,947,478</u>	<u>\$ 3,804,200</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$2,224,455.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 27,718,731
State's proportionate share of the net pension liability associated with the District	15,779,779
Total	<u>\$ 43,498,510</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0343 percent and 0.0372 percent, resulting in a net decrease in the proportionate share of 0.0026 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$2,638,810. In addition, the District recognized pension expense and revenue of \$1,470,366 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,224,455	\$ -
Net change in proportionate share of net pension liability	1,331,677	1,836,434
Differences between projected and actual earnings on pension plan investments	2,203,625	-
Differences between expected and actual experience in the measurement of the total pension liability	-	676,167
Total	<u>\$ 5,759,757</u>	<u>\$ 2,512,601</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 48,075
2019	48,076
2020	1,280,976
2021	826,498
Total	<u>\$ 2,203,625</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (163,141)
2019	(163,141)
2020	(163,141)
2021	(163,141)
2022	(163,140)
Thereafter	(365,220)
Total	<u>\$ (1,180,924)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 39,893,505
Current discount rate (7.60%)	\$ 27,718,731
1% increase (8.60%)	\$ 17,607,071

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$751,153.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,682,037. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportion proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0440 percent and 0.0455 percent, resulting in a net decrease in the proportionate share of 0.0015 percent.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$1,165,390. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 751,123	\$ -
Net change in proportionate share of net pension liability	98,853	174,033
Differences between projected and actual earnings on pension plan investments	1,347,173	-
Differences between expected and actual experience in the measurement of the total pension liability	373,411	-
Change of assumptions	-	260,844
Total	<u>\$ 2,570,560</u>	<u>\$ 434,877</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 188,959
2019	188,959
2020	617,654
2021	351,601
Total	<u>\$ 1,347,173</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Outflows/(Inflows) of Resources
2018	\$ 74,352
2019	(23,543)
2020	(13,422)
Total	<u>\$ 37,387</u>

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	<u>Varies by entry age and service</u>

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 12,953,648
Current discount rate (7.65%)	\$ 8,682,037
1% increase (8.65%)	\$ 5,125,081

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 \$1,470,366 (8.828 percent of 2013-14 creditable compensation subject to STRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.) 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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

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, 2017.

Construction and Other Commitments

As of June 30, 2017, the District had the following commitments:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Havens Elementary School gate	\$ 29,210	October 2017
Piedmont High School STEAM building	58,596	December 2017
	<u>\$ 87,806</u>	

Operating Leases

The District leases certain office equipment under non-cancelable operating leases. Future minimum rental payments under operating leases at June 30, 2017, are:

Year Ending June 30,	Lease Payment
2018	\$ 107,886
2019	96,630
2020	89,432
2021	88,200
2022	22,050
Total	<u>\$ 404,198</u>

Rent expense under operating leases was \$127,736 in 2017 and \$125,576 in 2016. Renewal options are provided.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Alameda County Schools Insurance Group, 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, 2017, the District made payments of \$756,872 to Alameda County Schools Insurance Group for workers' compensation, property, and liability insurance coverage.

NOTE 16 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the following District's major fund exceeded the budgeted amount as follows:

General Fund	Expenditures and Other Uses		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Current			
Certificated salaries	\$ 18,055,803	\$ 18,368,851	\$ 313,048
Classified salaries	5,616,935	5,758,180	141,245
Services and operating expenditures	4,304,063	5,105,838	801,775

REQUIRED SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	\$ 20,246,825	\$ 20,193,717	\$ 20,429,606	\$ 235,889
Federal sources	694,256	706,396	704,676	(1,720)
Other State sources	2,994,446	3,190,073	2,067,606	(1,122,467)
Other local sources	14,432,300	15,113,834	15,571,660	457,826
Total Revenues¹	38,367,827	39,204,020	38,773,548	(430,472)
EXPENDITURES				
Current				
Certificated salaries	17,895,299	18,055,803	18,368,851	(313,048)
Classified salaries	5,804,937	5,616,935	5,758,180	(141,245)
Employee benefits	10,031,355	10,269,562	8,967,726	1,301,836
Books and supplies	1,288,902	1,791,317	1,478,539	312,778
Services and operating expenditures	3,825,420	4,304,063	5,105,835	(801,772)
Other outgo	(120,000)	(120,000)	-	(120,000)
Capital outlay	5,400	171,202	198,679	(27,477)
Total Expenditures¹	38,731,313	40,088,882	39,877,810	211,072
Excess (Deficiency) of Revenues Over Expenditures	(363,486)	(884,862)	(1,104,262)	(219,400)
Other Financing Sources (Uses):				
Transfers out	(50,000)	(50,000)	(55,000)	(5,000)
Net Financing Sources (Uses)	(50,000)	(50,000)	(55,000)	(5,000)
NET CHANGE IN FUND BALANCES	(413,486)	(934,862)	(1,159,262)	(224,400)
Fund Balance - Beginning	2,555,726	2,555,726	2,555,726	-
Fund Balance - Ending	\$ 2,142,240	\$ 1,620,864	\$ 1,396,464	\$ (224,400)

¹ On behalf payments of \$1,470,366 are excluded from this schedule. In addition, due to the consolidation of Fund 11, Adult Education Fund; Fund 14, Deferred Maintenance Fund; and Fund 17, Special Reserve-Non-Capital Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

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)
September 1, 2015	\$ -	\$ 6,266,983	\$ 6,266,983	-	\$ 24,365,158	26%
September 1, 2013	-	5,762,826	5,762,826	-	22,993,263	25%
September 1, 2011	-	5,250,572	5,250,572	-	20,361,903	26%

See accompanying note to required supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0343%	0.0372%	0.0346%
District's proportionate share of the net pension liability	\$ 27,718,731	\$ 25,023,490	\$ 20,224,335
State's proportionate share of the net pension liability associated with the District	15,779,779	13,234,668	12,212,327
Total	<u>\$ 43,498,510</u>	<u>\$ 38,258,158</u>	<u>\$ 32,436,662</u>
District's covered - employee payroll	\$ 17,298,329	\$ 17,348,602	\$ 15,958,129
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	160%	144%	127%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.0440%	0.0455%	0.0436%
District's proportionate share of the net pension liability	\$ 8,682,037	\$ 6,705,041	\$ 4,955,168
District's covered - employee payroll	\$ 5,291,631	\$ 5,644,661	\$ 5,800,301
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	164%	119%	85%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	\$ 2,224,455	\$ 1,826,227	\$ 1,361,235
Contributions in relation to the contractually required contribution	(2,224,455)	(1,826,227)	(1,361,235)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	\$ 17,936,540	\$ 17,298,329	\$ 17,348,602
Contributions as a percentage of covered - employee payroll	12%	11%	8%
CalPERS			
Contractually required contribution	\$ 751,123	\$ 622,624	\$ 581,047
Contributions in relation to the contractually required contribution	(751,123)	(622,624)	(581,047)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	\$ 5,517,790	\$ 5,291,631	\$ 5,644,661
Contributions as a percentage of covered - employee payroll	14%	12%	10%

Note : In the future, as data become available, ten years of information will be presented.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I - Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 34,642
Title II - Part A, Improving Teacher Quality	84.367	14341	30,413
Title III - Limited English Proficiency (LEP) Student Program	84.365	14346	14,286
Title III - Immigrant Education Program	84.365	15146	3,977
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	542,268
Preschool Local Entitlement Part B, Sec 611	84.027A	13682	14,188
Preschool Grants Part B, Sec 619	84.173	13430	4,926
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	59,976
Total Special Education Cluster (IDEA)			<u>621,358</u>
Total U.S. Department of Education			<u>704,676</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Special Milk Program for Children	10.556	13390	5,504
Total U.S. Department of Agriculture			<u>5,504</u>
Total Expenditures of Federal Awards			<u>\$ 710,180</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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>
Sarah Pearson	President	2020
Amal Smith	Vice President	2018
Andrea Swenson	Member	2020
Cory Smegal	Member	2020
Doug Ireland	Member	2018

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Randall Booker	Superintendent
Song Chin-Bendib	Assistant Superintendent, Business Services
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, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	649.58	650.84
Fourth through sixth	620.33	619.94
Seventh and eighth	473.65	473.33
Ninth through twelfth	852.32	850.24
Total Regular ADA	2,595.88	2,594.35
Extended Year Special Education		
Transitional kindergarten through third	1.91	1.91
Fourth through sixth	1.68	1.68
Seventh and eighth	0.63	0.63
Ninth through twelfth	0.71	0.71
Total Extended Year Special Education	4.93	4.93
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	-	0.18
Seventh and eighth	0.43	0.43
Ninth through twelfth	4.64	4.59
Total Special Education, Nonpublic, Nonsectarian Schools	5.07	5.20
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	-	0.14
Seventh and eighth	0.15	0.14
Ninth through twelfth	0.68	0.68
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.83	0.96
Total ADA	2,606.71	2,605.44

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days <u>Traditional Calendar</u>	Status
Kindergarten	36,000	36,890	180	In compliance
Grades 1 - 3				
Grade 1	50,400	52,085	180	In compliance
Grade 2	50,400	52,085	180	In compliance
Grade 3	50,400	52,085	180	In compliance
Grades 4 - 6				
Grade 4	54,000	54,820	180	In compliance
Grade 5	54,000	55,110	180	In compliance
Grade 6	54,000	65,725	180	In compliance
Grades 7 - 8				
Grade 7	54,000	65,725	180	In compliance
Grade 8	54,000	65,725	180	In compliance
Grades 9 - 12				
Grade 9	64,800	65,725	180	In compliance
Grade 10	64,800	65,725	180	In compliance
Grade 11	64,800	65,725	180	In compliance
Grade 12	64,800	65,725	180	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, 2017

Summarized below are the reconciliations between the Supplement Form Asset, Supplemental Form Debt and the audited financial statements.

	<u>General Fund</u>
FORM ASSET	
Total Capital Assets, June 30, 2017, Unaudited Actuals	\$ 77,242,315
Decrease in:	
Buildings and improvements	(234,001)
Furniture and Equipment	(16,601)
Accumulated depreciation - land & improvements	40,978
Increase in:	
Construction in progress	281,379
Accumulated depreciation - buildings & improvements	(19,866)
Accumulated depreciation - furniture & equipment	(870)
Total Capital Assets, June 30, 2017, Audited Financial Statement	<u><u>\$ 77,293,334</u></u>
FORM DEBT	
Long-Term Liabilities, June 30, 2017, Unaudited Actuals	\$ 131,746,551
Increase (decrease) in:	
General obligation bonds	3,005,982
Compensated absences	1,457
Aggregate net pension liability	4,672,237
Other post employment benefits	68,201
Long-Term Liabilities, June 30, 2017, Audited Financial Statement	<u><u>\$ 139,494,428</u></u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 ¹	2017 ¹	2016 ¹	2015 ¹
GENERAL FUND				
Revenues ³	\$ 38,589,500	\$ 39,399,416	\$ 39,425,245	\$ 34,414,880
Other sources and transfers in	-	-	-	-
Total Revenues and Other Sources	38,589,500	39,399,416	39,425,245	34,414,880
Expenditures ³	39,327,812	39,778,819	38,759,491	35,887,008
Other uses and transfers out	50,000	55,000	251,968	345,463
Total Expenditures and Other Uses	39,377,812	39,833,819	39,011,459	36,232,471
INCREASE (DECREASE) IN FUND BALANCE	\$ (788,312)	\$ (434,403)	\$ 413,786	\$ (1,817,591)
ENDING FUND BALANCE	\$ 1,746,797	\$ 2,535,109	\$ 2,969,512	\$ 2,555,726
AVAILABLE RESERVES ²	\$ 1,797,758	\$ 2,622,708	\$ 1,846,825	\$ 2,555,726
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	4.57%	6.58%	4.73%	7.05%
LONG-TERM OBLIGATION	\$ 135,601,399	\$ 139,494,428	\$ 107,918,155	\$ 104,342,690
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,614	2,607	2,631	2,631

The General Fund balance has decreased by \$20,617 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$788,312 (31 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 an operating deficit in the current year and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$35,151,738 over the past two years.

Average daily attendance has decreased by 24 over the past two years. A decline of 7 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit. Current and prior years' actual columns only include General fund information.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

³ On-behalf payments of \$1,470,366, \$1,183,946 and \$851,505, have been excluded from the calculation of available reserves for fiscal year ended June 30, 2015. In addition, due to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund per GASB 54, additional revenues of \$844,500 and expenditures of \$1,569,356 pertaining to these funds are included in the actual (GAAP Basic) and the budget columns.

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2017

	Cafeteria Fund	County School Facilities Fund	Self Insurance Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 319,669	\$ 85,517	\$ 10,169	\$ 415,355
Receivables	10,919	(7)	14	10,926
Total Assets	<u>\$ 330,588</u>	<u>\$ 85,510</u>	<u>\$ 10,183</u>	<u>\$ 426,281</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,845	\$ 7,669	\$ -	\$ 12,514
Due to other funds	(2)	-	-	(2)
Total Liabilities	<u>4,843</u>	<u>7,669</u>	<u>-</u>	<u>12,512</u>
Fund Balances:				
Restricted	8,602	77,841	-	86,443
Committed	317,143	-	-	317,143
Assigned	-	-	10,183	10,183
Total Fund Balance	<u>325,745</u>	<u>77,841</u>	<u>10,183</u>	<u>413,769</u>
Total Liabilities and Fund Balances	<u>\$ 330,588</u>	<u>\$ 85,510</u>	<u>\$ 10,183</u>	<u>\$ 426,281</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2017

	Cafeteria Fund	County School Facilities Fund	Self Insurance Fund	Total Non-Major Governmental Funds
REVENUES				
Federal sources	\$ 5,504	\$ -	\$ -	\$ 5,504
Other local sources	826,897	368	71	827,336
Total Revenues	<u>832,401</u>	<u>368</u>	<u>71</u>	<u>832,840</u>
EXPENDITURES				
Current				
Pupil services:				
Food services	701,867	-	-	701,867
Plant services	-	14,648	-	14,648
Facility acquisition and construction	-	(52,430)	-	(52,430)
Enterprise services	-	-	6,863	6,863
Total Expenditures	<u>701,867</u>	<u>(37,782)</u>	<u>6,863</u>	<u>670,948</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>130,534</u>	<u>38,150</u>	<u>(6,792)</u>	<u>161,892</u>
Other Financing Sources (Uses):				
Transfers in	-	-	5,000	5,000
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	<u>130,534</u>	<u>38,150</u>	<u>(1,792)</u>	<u>166,892</u>
Fund Balance - Beginning	<u>195,211</u>	<u>39,691</u>	<u>11,975</u>	<u>246,877</u>
Fund Balance - Ending	<u>\$ 325,745</u>	<u>\$ 77,841</u>	<u>\$ 10,183</u>	<u>\$ 413,769</u>

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of federal revenue received but not required to be reported on Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,199,886
Federal interest reimbursement of Quality School Construction Bonds	N/A	<u>(489,706)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 710,180</u>

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.

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED) **JUNE 30, 2017**

NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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 the 1986-87 requirements, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piedmont Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Piedmont Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Piedmont Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Piedmont Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Piedmont Unified School District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Piedmont Unified School District's Response to Findings

Piedmont Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Piedmont Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Piedmont Unified School District
Piedmont, California

Report on State Compliance

We have audited Piedmont Unified School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Piedmont Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Piedmont Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of Piedmont Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Piedmont Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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 Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a work experience program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an early retirement incentive program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any juvenile court schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any middle or early college high schools; therefore, we did not perform procedures related to the Middle or Early College High Schools Program.

The District does not offer a before or after school education and safety program; therefore, we did not perform any procedures related to the Before or After School Education and Safety Program.

The District does not offer an independent study-course based program; therefore, we did not perform procedures related to the Independent Study-Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District does not have any charter schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDING FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents a significant deficiency, material weakness, and/or instance of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2017-001 **Associated Student Body**
Significant Deficiency

Criteria or Specific Requirements

Associated Student Body (ASB) funds are subject to greater loss due to the nature of the transactions and to the decentralization of the accounting process.

Management is responsible for establishing and maintaining an effective system of internal control to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations and are properly recorded. Strong internal controls also include a well-designed segregation of duties.

Condition

During the review of ASB accounts at Millennium Continuation High School, we noted that a monitoring control was not properly designed. The checking account monthly bank reconciliation is not reviewed.

Questioned costs

None

Context

All ASB cash collections and disbursements at Millennium Continuation High School.

Effect

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

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDING FOR THE YEAR ENDED JUNE 30, 2017

Cause

Cash monitoring controls were not operating in accordance with best practices.

Recommendation

We recommend that District management discuss with site personnel the importance of timely reconciliation and review of the checking account. The reviewer should be someone other than the preparer. The preparation and review of the bank reconciliation should be documented with both the preparer and reviewer's signature. District management should also consider requesting a copy of the monthly reconciliation to review the progress and improvement of this issue.

Corrective Action Plan

Millennium Continuation High School has a new Principal and with the central office working with the Principal new monitoring procedures and controls have been put into place and tested.

PIEDMONT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of the audit finding reported in the prior year's schedule of financial statement findings.

Financial Statement Finding

2016-001 Code 30000 – Internal Control

Associated Student Body

Finding

During the audit of ASB accounts at Piedmont Middle School and Millennium Continuation High School, we noted conditions indicating that operating controls are not functioning at their optimum levels. In particular we noted the following:

Piedmont Middle School

- 5 out of 6 cash collections reviewed were not deposited timely. Days between receipt and deposit were from 15 to 34 days.
- 1 out of 1 cash disbursement reviewed was missing supporting documentation for receipt of goods purchased.
- 1 out of 1 revenue potential form reviewed contained calculation errors.

Millennium Continuation High School

- 5 out of 5 cash collections reviewed did not have pre-numbered receipt or an alternate tracking system supporting the cash collected.
- 1 out of 7 cash disbursements reviewed was missing supporting documentation.

Recommendation

To ensure the safeguarding of cash receipts, we recommend that District management remind site personnel of the best practice guideline for depositing cash collections. Ten days between receipt and deposit is considered timely. In addition, although we understand that it may not be practical to change accounting systems, we recommend that District management encourage site personnel to develop an alternate tracking system when pre-numbered receipts are not used. We also recommend that District management encourage site personnel to retain a packing slip or some other documentation supporting receipt of goods purchased and to retain student reimbursement request forms. This supporting documentation should be provided to the ASB Bookkeeper. The District should also consider periodically reviewing the progress and improvement of these issues.

Current Status

Implemented.