

**Pierce Joint Unified School District**

**Colusa County  
Arbuckle, California**

**Report on Audit  
June 30, 2011**

**Pierce Joint Unified School District**

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June 30, 2011

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Pierce Joint Unified School District  
Arbuckle, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pierce Joint Unified School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pierce Joint Unified School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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The Board of Trustees  
Pierce Joint Unified School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on page 35 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual non-major fund financial statements and the accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards and the accompanying supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the financial statements as a whole.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
November 8, 2011

## Pierce Joint Unified School District

Management's Discussion and Analysis  
June 30, 2011

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The following discussion and analysis provides an overview of the financial position and activities of the Pierce Joint Unified School District (the "District") for the year ended June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- § The District as a whole strengthened during the 2010-11 fiscal year. Over the course of the year, the total net assets increased by 4.70%.
- § On the Statement of Activities, total current year revenues exceeded total current year expenses by \$479,719.
- § Capital assets, net of depreciation, decreased \$580,109, due to accumulated depreciation growing at a higher rate than acquisitions and improvements.
- § Total long-term liabilities decreased \$123,533.
- § The District's P-2 ADA decreased from 1,268 ADA in fiscal year 2009-10 to 1,266 ADA in fiscal year 2010-11, a decrease of 2 ADA.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). 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* only report a balance sheet and do not have a measurement focus.

*Reconciliation 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 Pierce Joint Unified School District.

## Pierce Joint Unified School District

Management's Discussion and Analysis  
June 30, 2011

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### DISTRICT - WIDE STATEMENTS

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

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

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

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District activities are reported 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.

### 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 measure 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 service 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.



**Pierce Joint Unified School District**

Management's Discussion and Analysis  
June 30, 2011

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

The District's combined net assets, as of June 30, 2011, were \$10,697,171 reflecting an increase of 4.70% since June 30, . Of this amount, \$2,570,846 was unrestricted. Restricted net assets are reported separately to show legal constraints from the debt covenants and legislation that limit the governing board's ability to use those assets for day-to-day operations.

**Table 1 - Net Assets**

	Governmental Activities		Net Change
	2011	2010	
<b>Assets</b>			
Current and other assets	\$ 5,524,451	\$ 4,424,300	\$ 1,100,151
Capital assets	11,763,157	12,343,266	(580,109)
<b>Total Assets</b>	<b>17,287,608</b>	<b>16,767,566</b>	<b>520,042</b>
<b>Liabilities</b>			
Current liabilities	986,786	797,928	188,858
Long-term obligations	5,603,651	5,752,186	(148,535)
<b>Total Liabilities</b>	<b>6,590,437</b>	<b>6,550,114</b>	<b>40,323</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,018,295	6,583,553	(565,258)
Restricted	2,108,030	4,508,297	(2,400,267)
Unrestricted	2,570,846	(874,398)	3,445,244
<b>Total Net Assets</b>	<b>\$ 10,697,171</b>	<b>\$ 10,217,452</b>	<b>\$ 479,719</b>

**Pierce Joint Unified School District**

Management’s Discussion and Analysis  
 June 30, 2011

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**Change in Net Assets**

The District’s total revenues increased 2% to \$11,588,945. General revenues accounted for most of the District’s revenue, contributing about 81% of every dollar raised. Another 9% came from fees charged for services and operating grants and contributions.

The total cost of all programs and services decreased 3% to \$11,109,226. The District’s expenses are predominantly related to educating and caring for students (70%). The purely administrative activities of the District accounted for 8% of total costs.

**Table 2 - Change in Net Assets**

	<u>Governmental Activities</u>		<u>Net Change</u>
	<u>2011</u>	<u>2010</u>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 256,398	\$ 264,977	\$ (8,579)
Operating grants and contributions	1,900,360	2,326,060	(425,700)
General revenues:			
Federal and State aid not restricted	5,647,454	5,439,880	207,574
Property taxes	3,417,676	3,065,897	351,779
Other general revenues	367,057	311,948	55,109
<b>Total Revenues</b>	<b><u>11,588,945</u></b>	<b><u>11,408,762</u></b>	<b><u>180,183</u></b>
<b>Expenses</b>			
Instruction-related	6,684,511	6,771,832	(87,321)
Student support services	979,129	1,013,811	(34,682)
Administration	864,396	1,045,093	(180,697)
Maintenance and operations	1,161,871	1,213,638	(51,767)
Other	1,419,319	1,437,857	(18,538)
<b>Total Expenses</b>	<b><u>11,109,226</u></b>	<b><u>11,482,231</u></b>	<b><u>(373,005)</u></b>
<b>Change in Net Assets</b>	<b><u>\$ 479,719</u></b>	<b><u>\$ (73,469)</u></b>	<b><u>\$ 553,188</u></b>

**Governmental Activities**

As reported in the Statement of Activities on page 11, the cost of all of our governmental activities was \$11,109,226 and \$11,482,231 for June 30, 2011 and , respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$8,952,468 and \$8,891,194 , respectively, because a portion of the cost was paid by those who benefited from the programs (\$256,398 and \$264,977 , respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$1,900,360 and \$2,326,060 , respective ly).

**Pierce Joint Unified School District**

Management’s Discussion and Analysis  
 June 30, 2011

Table 3 reflects the net cost of each of the District’s largest functions – instruction, student support, administration, maintenance and operations, and other costs. Included in this table are each program’s net costs (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden 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.

**Table 3 - Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$ 5,838,820	\$ 5,924,094	\$ 4,619,470	\$ 4,310,846
Instruction related services	845,691	847,738	713,409	773,248
Pupil services	979,129	1,013,811	255,661	244,260
Administration	864,396	1,045,093	789,349	966,253
Maintenance and operations	1,161,871	1,213,638	1,157,103	1,158,730
Other	1,419,319	1,437,857	1,417,476	1,437,857
<b>Totals</b>	<b>\$ 11,109,226</b>	<b>\$ 11,482,231</b>	<b>\$ 8,952,468</b>	<b>\$ 8,891,194</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

As the District completed the school year, the governmental funds reported a combined fund balance of \$4,891,877, which is an increase of \$871,751 from last year.

**Table 4 - Governmental Funds**

	Balances and Activity			
	July 1, 2010	Revenues	Expenditures	June 30, 2011
General	\$ 2,376,315 *	\$ 10,590,429	\$ 9,776,645	\$ 3,190,099
Cafeteria	73,918	548,303	524,346	97,875
Bond Interest and Redemption	750,631	412,570	380,338	782,863
Capital Facilities	811,372	37,416	35,865	812,923
Other	7,890	227	-	8,117
<b>Totals</b>	<b>\$ 4,020,126</b>	<b>\$ 11,588,945</b>	<b>\$ 10,717,194</b>	<b>\$ 4,891,877</b>

\*Restated

**General Fund Budgetary Highlights**

The District’s budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim. The original budget, presented on page 35, includes only new revenues for -2011.

**Pierce Joint Unified School District**

Management's Discussion and Analysis  
 June 30, 2011

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Capital assets, net of depreciation, decreased \$580,109 as accumulated depreciation acquisitions and improvements grew at a higher rate than acquisitions and improvements.

**Table 5 - Capital Assets at Year-End**

	Governmental Activities		Net Change
	2011	2010	
Land and construction in progress	\$ 904,260	\$ 904,260	\$ -
Buildings and improvements	10,584,058	11,105,964	(521,906)
Equipment	274,839	333,042	(58,203)
<b>Totals</b>	<b>\$ 11,763,157</b>	<b>\$ 12,343,266</b>	<b>\$ (580,109)</b>

**Long-Term Liabilities**

Total long-term liabilities decreased \$123,533, primarily due to payments on bond obligations and the Golden Handshake program.

**Table 6 - Outstanding Debt at Year-End**

	Governmental Activities		Net Change
	2011	2010	
General obligation bonds	\$ 5,744,862	\$ 5,829,896	\$ (85,034)
Accumulated vacation - net	40,400	43,098	(2,698)
Golden handshake	114,190	149,991	(35,801)
<b>Totals</b>	<b>\$ 5,899,452</b>	<b>\$ 6,022,985</b>	<b>\$ (123,533)</b>

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

## **Pierce Joint Unified School District**

Management's Discussion and Analysis  
June 30, 2011

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### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- § Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. Enrollment is expected to remain constant in fiscal year 2011-2012.
- § The State's economic and budget situation continues to negatively impact K-12 education.
- § The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact the: District Office, Pierce Joint Unified School District, 540-A 6th Street, Arbuckle, California 95912.

**Pierce Joint Unified School District**

Statement of Net Assets  
June 30, 2011

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 4,166,755
Receivables	1,356,258
Prepaid expenses	1,438
Capital assets not depreciated	904,260
Capital assets, net of accumulated depreciation	<u>10,858,897</u>
<b>Total Assets</b>	<u>17,287,608</u>
<b>LIABILITIES</b>	
Accounts payable	443,508
Interest payable	58,411
Deferred revenue	189,066
Current portion of long-term obligations	295,801
Noncurrent portion of long-term obligations	<u>5,603,651</u>
<b>Total Liabilities</b>	<u>6,590,437</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,018,295
Restricted for:	
Debt service	782,864
Capital projects	821,040
Other activities	504,126
Unrestricted	<u>2,570,846</u>
<b>Total Net Assets</b>	<u><u>\$ 10,697,171</u></u>

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

**Pierce Joint Unified School District**

Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 5,838,820	\$ 142,791	\$ 1,076,559	\$ (4,619,470)
Instruction-related activities:				
Instructional library, media, and technology	25,676	-	22,547	(3,129)
School site administration	820,015	2,346	107,389	(710,280)
Pupil services:				
Home-to-school transportation	315,174	-	186,696	(128,478)
Food services	504,317	105,387	419,378	20,448
All other pupil services	159,638	-	12,007	(147,631)
Administration:				
Data processing	149,282	-	761	(148,521)
All other administration	715,114	5,544	68,742	(640,828)
Plant services	1,161,871	330	4,438	(1,157,103)
Ancillary services	136,648	-	-	(136,648)
Community services	26,895	-	-	(26,895)
Enterprise services	4,623	-	-	(4,623)
Interest on long-term obligations	230,760	-	-	(230,760)
Other outgo	363,184	-	1,843	(361,341)
Depreciation (unallocated)	657,209	-	-	(657,209)
<b>Total Governmental Activities</b>	<b>\$ 11,109,226</b>	<b>\$ 256,398</b>	<b>\$ 1,900,360</b>	<b>(8,952,468)</b>
General revenues and subventions:				
				3,024,339
				393,337
				5,647,454
				113,345
				26,396
				227,316
			<b>Subtotal, General Revenues</b>	<b>9,432,187</b>
			<b>Change in Net Assets</b>	<b>479,719</b>
			Net Assets - Beginning	10,217,452
			Net Assets - Ending	<b>\$ 10,697,171</b>

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

**Pierce Joint Unified School District**

Governmental Funds  
 Balance Sheet  
 June 30, 2011

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Deposits and investments	\$ 2,452,997	\$ 113,079	\$ 809,758	\$ 782,863	\$ 8,057	\$ 4,166,754
Receivables	1,294,785	55,433	5,980	-	60	1,356,258
Due from other funds	67,634	709	-	-	-	68,343
Prepaid expenditures	1,438	-	-	-	-	1,438
<b>Total Assets</b>	<u>\$ 3,816,854</u>	<u>\$ 169,221</u>	<u>\$ 815,738</u>	<u>\$ 782,863</u>	<u>\$ 8,117</u>	<u>\$ 5,592,793</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 436,980	3,964	\$ 2,563	\$ -	\$ -	\$ 443,507
Due to other funds	709	67,382	252	-	-	68,343
Deferred revenue	189,066	-	-	-	-	189,066
<b>Total Liabilities</b>	<u>626,755</u>	<u>71,346</u>	<u>2,815</u>	<u>-</u>	<u>-</u>	<u>700,916</u>
<b>Fund Balances:</b>						
Nonspendable:						
Revolving cash	2,000	-	-	-	-	2,000
Prepaid expenditures	1,438	-	-	-	-	1,438
Restricted	388,583	97,875	812,923	782,863	8,117	2,090,361
Assigned	14,226	-	-	-	-	14,226
Unassigned	-	-	-	-	-	-
Reserve for Economic Uncertainties	2,783,852	-	-	-	-	2,783,852
<b>Total Fund Balances</b>	<u>3,190,099</u>	<u>97,875</u>	<u>812,923</u>	<u>782,863</u>	<u>8,117</u>	<u>4,891,877</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,816,854</u>	<u>\$ 169,221</u>	<u>\$ 815,738</u>	<u>\$ 782,863</u>	<u>\$ 8,117</u>	<u>\$ 5,592,793</u>

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



**Pierce Joint Unified School District**

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2011

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<b>Total Fund Balance - Governmental Funds</b>		\$ 4,891,877
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 20,091,768	
Accumulated depreciation is	<u>(8,328,611)</u>	
Net Capital Assets		11,763,157
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(58,411)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	(5,744,862)	
Compensated absences (vacations)	(40,400)	
Other long-term debt	<u>(114,190)</u>	
Total Long-Term Obligations		<u>(5,899,452)</u>
<b>Total Net Assets - Governmental Activities</b>		<u><u>\$ 10,697,171</u></u>

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

**Pierce Joint Unified School District**

Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Year Ended June 30, 2011

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Revenue limit sources	\$ 7,144,105	\$ -	\$ -	\$ -	\$ -	\$ 7,144,105
Federal sources	608,971	401,486	-	-	-	1,010,457
Other State sources	2,359,612	33,979	-	2,690	-	2,396,281
Other local sources	477,741	112,838	37,416	409,880	227	1,038,102
<b>Total Revenues</b>	<u>10,590,429</u>	<u>548,303</u>	<u>37,416</u>	<u>412,570</u>	<u>227</u>	<u>11,588,945</u>
<b>EXPENDITURES</b>						
Current						
Instruction	5,877,319	-	-	-	-	5,877,319
Instruction-related activities:						
Instructional library, media and technology	25,676	-	-	-	-	25,676
School site administration	820,015	-	-	-	-	820,015
Pupil services:						
Home-to-school transportation	315,174	-	-	-	-	315,174
Food services	3,830	500,487	-	-	-	504,317
All other pupil services	159,638	-	-	-	-	159,638
Administration:						
Data processing	149,282	-	-	-	-	149,282
All other administration	692,823	22,291	-	-	-	715,114
Plant services	1,141,608	1,568	18,695	-	-	1,161,871
Facility acquisition and construction	59,930	-	17,170	-	-	77,100
Ancillary services	136,648	-	-	-	-	136,648
Community services	26,895	-	-	-	-	26,895
Enterprise services	4,623	-	-	-	-	4,623
Other outgo	363,184	-	-	-	-	363,184
Debt service						
Principal	-	-	-	235,000	-	235,000
Interest and other	-	-	-	145,338	-	145,338
<b>Total Expenditures</b>	<u>9,776,645</u>	<u>524,346</u>	<u>35,865</u>	<u>380,338</u>	<u>-</u>	<u>10,717,194</u>
<b>NET CHANGE IN FUND BALANCES</b>	813,784	23,957	1,551	32,232	227	871,751
<b>Fund Balance - Beginning, As Restated</b>	2,376,315	73,918	811,372	750,631	7,890	4,020,126
<b>Fund Balance - Ending</b>	<u>\$ 3,190,099</u>	<u>\$ 97,875</u>	<u>\$ 812,923</u>	<u>\$ 782,863</u>	<u>\$ 8,117</u>	<u>\$ 4,891,877</u>

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

**Pierce Joint Unified School District**

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2011

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**Total Net Change in Fund Balances - Governmental Funds** \$ 871,751  
**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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

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

Depreciation expense	\$ (657,209)	
Capital outlays	<u>77,100</u>	
Net Expense Adjustment		(580,109)

Earned but unavailable revenue is reported in the governmental funds only to the extent they are available. In the statement of activities, revenue is recognized when earned regardless of availability. The amount earned in the prior year, but available in the current year was:

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities. 235,000

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until it is paid. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The amount of accreted interest recognized in the current year was: (149,966)

Interest on long-term obligations 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. Accrued interest on bonds and other debt decreased by: 64,544

In the statement of activities, compensated absences (vacations) and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid). 38,499

<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 479,719</u></u>
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The accompanying notes are an integral part of these financial statements.

**Pierce Joint Unified School District**

Fiduciary Funds  
 Statement of Net Assets  
 June 30, 2011

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
<b>Assets</b>				
Cash and investments	\$ 88,787	\$ 279,232	\$ 263,065	\$ 104,954
	<u>\$ 88,787</u>	<u>\$ 279,232</u>	<u>\$ 263,065</u>	<u>\$ 104,954</u>
<b>Due to student groups</b>				
Arbuckle Elementary	\$ 12,622	\$ 7,709	\$ 7,789	\$ 12,542
Grand Island Elementary	1,394	903	743	1,554
Lloyd G Johnson Junior High	25,337	67,046	70,058	22,325
Pierce High	49,434	203,574	184,475	68,533
Total due to student groups	<u>\$ 88,787</u>	<u>\$ 279,232</u>	<u>\$ 263,065</u>	<u>\$ 104,954</u>

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

## Pierce Joint Unified School District

Notes to Financial Statements  
June 30, 2011

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### Accounting Policies

Pierce Joint Unified School District (the “District”) accounts for its financial transactions in accordance with policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

#### Reporting Entity

The District was organized 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 currently operates two elementary schools, one junior high school, one high school, and a continuation high 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 Pierce Joint Unified School District, this includes general operations, food service, and student related activities of the District.

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

**Government -Wide Financial Statements** – The government -wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This 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, of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

## Pierce Joint Unified School District

Notes to Financial Statements  
June 30, 2011

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

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

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

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**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 to 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

**Deferred Revenue** – Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

## Pierce Joint Unified School District

Notes to Financial Statements  
June 30, 2011

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**Expenses/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds, as follows:

### ***Major Governmental Funds:***

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

**Cafeteria Special Revenue Fund** – This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 to 38093). The Cafeteria Special Revenue Fund shall be 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 Facilities Fund** – The Capital Facilities Fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purpose specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**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). The Board of Supervisors of the County issues the bonds. The proceeds from the sale of the bonds are deposited in the County Treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The County Auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the County Treasurer from taxes levied by the County Auditor-Controller.

## Pierce Joint Unified School District

Notes to Financial Statements  
June 30, 2011

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### *Non-Major Governmental Funds:*

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

1. **Special Reserve Fund for Capital Outlay Projects** – This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to funds 21, 25, 30, 35, or 49. Other authorized resources that may be transferred to the Special Reserve Fund for Capital Outlay Projects (Fund 40) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code* Section 41003).

### **Fiduciary Funds:**

Agency funds are used to account for assets for other for which the District acts as an agent. The District maintains the following Agency fund:

1. **Student Body Fund** – The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code* Sections 48930-48938).

### **Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budget is presented for the General Fund in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

### **Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.



**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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**Cash and Cash Equivalents**

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

**Investments**

Investments held at June 30, 2011 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and state investment pools are determined by the program sponsor.

**Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

**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.

**Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are valued at average cost method. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

**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. 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 expenses as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical is not available, estimated historical cost based on replacement cost.

Depreciation is computed using the straight-line method.

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings and Improvements	5 – 50
Furniture and Equipment	2 – 15
Vehicles	8

## Pierce Joint Unified School District

Notes to Financial Statements  
June 30, 2011

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### Interfund Balances

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

### Compensated Absences

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

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

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and 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.

### Fund Balance Reserves and Designations

Beginning with fiscal year 2010-2011 the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

***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 ordinances or resolutions approved by the governing board.

## **Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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*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. The governing board or Chief Business Officer may assign amounts for specific purposes.

*Unassigned* – all other spendable amounts.

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

### **Minimum Fund Balance Policy**

The governing board maintains a minimum fund balance policy 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.

### **Revenue Limit/Property Tax**

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured rolls are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1) and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue per average daily attendance (ADA) that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

## Pierce Joint Unified School District

Notes to Financial Statements  
June 30, 2011

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### 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.

### New Accounting Pronouncements

During the 2010-2011 fiscal year, the following GASB pronouncements became effective:

In February 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

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

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

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

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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**Compliance and Accountability**

*Finance-Related Legal and Contractual Provisions* – In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

*Deficit Fund Balance or Fund Net Assets of Individual Funds* – Following are the funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Deposits and investments, as of June 30, 2011, are classified in the accompanying financial statements as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Cash in county treasury	\$ 4,164,755	\$ -
Cash on hand and in banks	2,000	104,954
Total cash and investments	<u>\$ 4,166,755</u>	<u>\$ 104,954</u>

**Policies and Practices**

Governmental agencies in the State of California are 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 by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of the applicable agreements rather than the general provisions of the California Government Code.

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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

**General Authorizations** – Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with County Treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website.

The table below identifies examples of the investment types permitted in the investment policy:

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

**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 investing in the County Treasury .

**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 investment with the Colusa County Investment Pool is unrated.

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District’s bank balances were not exposed to custodial credit risk because the amount was below the FDIC insured amount of \$250,000.

**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. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – RECEIVABLES**

Receivables, at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Federal Government					
Categorical aid	\$ 123,025	\$ 54,967	\$ -	\$ -	\$ 177,992
State Government					
Apportionment	728,110	-	-	-	728,110
Categorical aid	277,738	-	-	-	277,738
Lottery	88,700	-	-	-	88,700
Local Government					
Interest	23,372	466	5,980	60	29,878
Other Local Sources	53,840	-	-	-	53,840
Total	<u>\$ 1,294,785</u>	<u>\$ 55,433</u>	<u>\$ 5,980</u>	<u>\$ 60</u>	<u>\$ 1,356,258</u>

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 89,042	\$ -	\$ -	\$ 89,042
Construction in Progress	815,218	-	-	815,218
Total Capital Assets Not Being Depreciated	904,260	-	-	904,260
Capital Assets Being Depreciated:				
Land Improvements	638,655	-	-	638,655
Buildings and Improvements	17,295,213	77,100	-	17,372,313
Furniture and Equipment	1,176,540	-	-	1,176,540
Total Capital Assets Being Depreciated	19,110,408	77,100	-	19,187,508
Total Capital Assets	20,014,668	77,100	-	20,091,768
Less Accumulated Depreciation:				
Land Improvements	355,779	24,863	-	380,642
Buildings and Improvements	6,472,125	574,143	-	7,046,268
Furniture and Equipment	843,498	58,203	-	901,701
Total Accumulated Depreciation	7,671,402	657,209	-	8,328,611
Governmental Activities Capital Assets, Net	<u>\$ 12,343,266</u>	<u>\$ (580,109)</u>	<u>\$ -</u>	<u>\$ 11,763,157</u>

**NOTE 5 – INTERFUND ACTIVITIES**

Interfund activity is reported as loans, service-provided reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Due to Other Funds**

Amounts due to other funds, as of June 30, 2011, are as follows:

Due To	Due From			Total
	General Fund	Capital Facilities Fund	Cafeteria Fund	
General Fund	\$ -	\$ 252	\$ 67,382	\$ 67,634
Cafeteria Fund	709	-	-	709
Total	<u>\$ 709</u>	<u>\$ 252</u>	<u>\$ 67,382</u>	<u>\$ 68,343</u>



**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

**NOTE 6 – LONG-TERM LIABILITIES**

**Summary**

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds	\$ 4,891,041	\$ -	\$ 235,000	\$ 4,656,041	\$ 260,000
Accreted interest	938,855	149,966	-	1,088,821	-
Accumulated vacation - net	43,098	-	2,698	40,400	-
Golden handshake	149,991	-	35,801	114,190	35,801
	<u>\$ 6,022,985</u>	<u>\$ 149,966</u>	<u>\$ 273,499</u>	<u>\$ 5,899,452</u>	<u>\$ 295,801</u>

The General Fund makes payments for the capital leases. The accrued vacation (compensated absences) and the Supplemental Early Retirement Plan (SERP) will be paid by the fund for which the employee works.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2010	Issued	Redeemed	Outstanding June 30, 2011
2002	8/1/2018	3.25-5.00%	\$ 4,260,000	\$ 3,155,000	\$ -	\$ 235,000	\$ 2,920,000
2002	8/1/2027	5.30-5.64%	\$ 1,736,041	1,736,041	-	-	1,736,041
				<u>\$ 4,891,041</u>	<u>\$ -</u>	<u>\$ 235,000</u>	<u>\$ 4,656,041</u>

In 2002, the District issued \$4,260,000 of current interest bonds with interest rates between 3.25% and 5.00%, which mature in 2019. Also in 2002, the District issued \$1,736,041 of capital appreciation bonds with interest rates between 5.30% and 5.64%, which mature in 2028.

The annual requirement to amortize the current interest bonds payable, outstanding as of June 30, 2011, are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 260,000	\$ 140,188	\$ 400,188
2013	285,000	129,138	414,138
2014	315,000	116,313	431,313
2015	345,000	102,138	447,138
2016	375,000	85,750	460,750
2017-2021	1,340,000	137,750	1,477,750
Total	<u>\$ 2,920,000</u>	<u>\$ 711,277</u>	<u>\$ 3,631,277</u>

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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The annual requirement to amortize the capital appreciation bonds payable, outstanding as of June 30, 2011, are as follows:

Fiscal Year	Principal	Accreted Interest	Total
2012	\$ -	\$ -	\$ -
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017-2021	428,202	651,798	1,080,000
2021-2025	955,027	2,079,973	3,035,000
2026-2029	352,812	1,022,188	1,375,000
Total	<u>\$ 1,736,041</u>	<u>\$ 3,753,959</u>	<u>\$ 5,490,000</u>

**Other Post Employment Benefits**

The District has entered into various early retirement incentive agreements with certain eligible employees, which require no further services to be performed. The District provides a supplemental employee retirement plan (SERP) to all certificated employees, age 55 or older, with 5 or more years of service to the District. The District also has obligations to CalSTRS for early retirement incentive granted to retired employees. The agreement requires future payments by the District to CalSTRS for the benefit of the retired employees. Future estimated payments, at June 30, 2011, are as follows:

Year	Golden Handshake
2012	\$ 43,637
2013	29,823
2014	28,663
2015	<u>27,503</u>
	129,626
Less amount representing interest	<u>(15,436)</u>
Present value of net minimum payments	<u>\$ 114,190</u>

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District, at June 30, 2011, amounted to \$40,400.

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

**NOTE 7 – FUND BALANCES**

As of June 30,2011, fund balances are composed of the following:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:						
Revolving cash	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Prepaid expenditures	1,438	-	-	-	-	1,438
Restricted	388,587	97,875	812,923	782,863	8,117	2,090,365
Assigned	14,226	-	-	-	-	14,226
Unassigned:						
Reserve for Economic Uncertainties	2,783,848	-	-	-	-	2,783,848
<b>Total Fund Balances</b>	<u>\$ 3,190,099</u>	<u>\$ 97,875</u>	<u>\$ 812,923</u>	<u>\$ 782,863</u>	<u>\$ 8,117</u>	<u>\$ 4,891,877</u>

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS**

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

**CalSTRS**

**Plan Description** – The District contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Blvd., Sacramento, CA 95826.

**Funding Policy** – Active plan members are required to contribute 8.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year -2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-2011	\$ 376,103	100%
2009-2010	\$ 394,199	100%
2008-2009	\$ 421,066	100%

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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**CalPERS**

**Plan Description** – The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**Funding Policy** – Active plan members are required to contribute 7.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year -2011 was 10.707 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District’s contribution s to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-2011	\$ 146,338	100%
2009-2010	\$ 132,772	100%
2008-2009	\$ 128,693	100%

**Social Security**

As established by Federal law, all public sector employees who are not members of their employer’s existing retirement systems (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.

**On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$198,639 (4.267 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**State and Federal Allowances, Awards and 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, 2011.

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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**Litigation**

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigations pending is not expected to have a material adverse effect on the overall financial position of the District at June, 30 2011.

**Operating Leases**

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

<u>Year Ending</u>	<u>Lease Payment</u>
2011	\$ 50,904
2012	48,189
	<u>\$ 99,093</u>

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District’s risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for its health and welfare benefits, workers’ compensations benefits, and property/liability insurance. Refer to Note 11 for additional information regarding the JPAs.

**NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of three joint powers authorities (JPAs). The District pays an annual premium to the entities for their coverage. The relationship between the District, the pools, and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

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

**Pierce Joint Unified School District**

Notes to Financial Statements  
June 30, 2011

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The District is a member of the following JPAs:

<u>ENTITY</u>	<u>PURPOSE</u>	<u>PARTICIPANTS</u>	<u>GOVERNING BOARD</u>
North Valley Schools Insurance Group (NVSIG)	Workers compensation coverage	Districts and COEs in Butte, Colusa, Shasta, Sutter, Tehama, Yolo, and Yuba Counties	Representatives of member districts
Schools Excess Liability Fund (SELF)	Excess liability	California public educational agencies	Representatives from member agencies
Tri-Counties Schools Insurance Group	Property and liability coverage	Schools in the Tri-County area	Representatives from member agencies

**NOTE 12 – EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2011, there were no District funds that exceeded budgeted items in total.

**NOTE 13 – FUND BALANCE RECLASSIFICATION**

Beginning July 1, 2010, the District adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the Special Reserve for Other Than Capital Outlay Fund activities are now included in the General Fund rather than a separate fund. The reclassification of the beginning fund balance is as follows:

	<u>General Fund</u>
Fund Balance, as previously stated	\$ 2,362,481
Adoption of GASB 54 Special Reserve for Other Than Capital Outlay Fund	<u>13,834</u>
Fund Balance, as restated	<u><u>\$ 2,376,315</u></u>

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**Pierce Joint Unified School District**

General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2011

	Budgeted Amounts (GAAP Basis)			Actual* (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final			
	<b>REVENUES</b>				
Revenue limit sources	\$ 6,735,667	\$ 7,143,252	\$ 7,144,105	\$ 853	
Federal sources	423,397	872,344	608,971	(263,373)	
Other State sources	2,079,538	2,185,843	2,160,973	(24,870)	
Other local sources	288,310	482,836	477,741	(5,095)	
<b>Total Revenues</b>	<u>9,526,912</u>	<u>10,684,275</u>	<u>10,391,790</u>	<u>(292,485)</u>	
<b>EXPENDITURES</b>					
Current					
Certificated Salaries	4,613,628	4,723,923	4,655,228	68,695	
Classified Salaries	1,264,883	1,310,361	1,295,134	15,227	
Employee Benefits	1,738,825	1,757,824	1,716,391	41,433	
Books and Supplies	536,623	1,003,153	576,470	426,683	
Services and Other Operating Expenditures	1,087,456	1,416,119	933,961	482,158	
Capital Outlay	49,239	65,494	59,930	5,564	
Other Outgo	374,819	412,003	340,892	71,111	
<b>Total Expenditures</b>	<u>9,665,473</u>	<u>10,688,877</u>	<u>9,578,006</u>	<u>1,110,871</u>	
<b>NET CHANGE IN FUND BALANCES</b>	(138,561)	(4,602)	813,784	818,386	
<b>Fund Balance - Beginning, As Restated</b>	<u>2,376,315</u>	<u>2,376,315</u>	<u>2,376,315</u>	-	
<b>Fund Balance - Ending</b>	<u>\$ 2,237,754</u>	<u>\$ 2,371,713</u>	<u>\$ 3,190,099</u>	<u>\$ 818,386</u>	

\*Beginning July 1, 2010, the District adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the Special Reserve for Other Than Capital Outlay Fund activities are now included in the General Fund rather than a separate fund.

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



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*SUPPLEMENTARY INFORMATION*

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**Pierce Joint Unified School District**

Local Educational Agency Organization Structure  
June 30, 2011

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The Pierce Joint Unified School District School District was organized as a unified school district of the State of California and provides public education for grades kindergarten through twelve within Colusa County. There were no changes to the District boundaries in the current year. The District currently operates two elementary schools, one junior high school, one high school, and a continuation high school.

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Amy Charter	President	December 2014
Abel Gomez	Vice President	December 2012
John Friel	Clerk	December 2014
Nadine High	Member	December 2012
Debbie Charter	Member	December 2012

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**ADMINISTRATION**

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Patricia Hamilton	Superintendent
Daena Meras	Chief Business Official

See the accompanying note to the supplementary information .

**Pierce Joint Unified School District**

Schedule of Average Daily Attendance  
For the Year Ended June 30, 2011

	Original		Revised	
	Second Period Report	Annual Report	Second Period Report	Annual Report
<b>ELEMENTARY</b>				
Kindergarten	95	95	95	95
First through third	301	301	301	301
Fourth through sixth	301	301	301	301
Seventh and eighth	213	213	213	213
Opportunity schools	-	-	-	-
Home and hospital	-	-	-	-
Special education	-	-	-	-
Total Elementary	<u>910</u>	<u>910</u>	<u>910</u>	<u>910</u>
<b>SECONDARY</b>				
Regular classes	346	346	346	346
Continuation education	10	10	10	10
Opportunity schools	-	-	-	-
Home and hospital	-	-	-	-
Special education	-	-	-	-
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	-	-	-	-
Total Secondary	<u>356</u>	<u>356</u>	<u>356</u>	<u>356</u>
Total K-12	<u>1,266</u>	<u>1,266</u>	<u>1,266</u>	<u>1,266</u>
<b>REGIONAL OCCUPATIONAL PROGRAM CLASSES FOR ADULTS</b>	-	-	-	-
Concurrently enrolled	-	-	-	-
Not concurrently enrolled	-	-	-	-
Adults in correctional facilities	-	-	-	-
Total Classes for Adults	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total	<u>1,266</u>	<u>1,266</u>	<u>1,266</u>	<u>1,266</u>

See the accompanying note to the supplementary information .

**Pierce Joint Unified School District**

Schedule of Instructional Time  
For the Year Ended June 30, 2011

Grade Level	1982-83	1982-83	1986-87	1986-87	2010-11	Number of Days		Status
	Actual Minutes	Adjusted and Reduced	Minutes Requirement	Adjusted and Reduced	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	32,560	32,198	36,000	35,600	35,600	178	N/A	Complied
Grades 1 - 3								
Grade 1	47,755	47,224	50,400	49,840	52,225	178	N/A	Complied
Grade 2	47,755	47,224	50,400	49,840	52,225	178	N/A	Complied
Grade 3	47,755	47,224	50,400	49,840	52,225	178	N/A	Complied
Grades 4 - 6								
Grade 4	55,843	55,223	54,000	53,400	55,620	178	N/A	Complied
Grade 5	55,843	55,223	54,000	53,400	55,620	178	N/A	Complied
Grade 6	55,843	55,223	54,000	53,400	58,871	178	N/A	Complied
Grades 7 - 8								
Grade 7	55,843	55,223	54,000	53,400	62,183	178	N/A	Complied
Grade 8	55,843	55,223	54,000	53,400	62,183	178	N/A	Complied
Grades 9 - 12								
Grade 9	63,888	63,178	64,800	64,080	64,448	178	N/A	Complied
Grade 10	63,888	63,178	64,800	64,080	64,448	178	N/A	Complied
Grade 11	63,888	63,178	64,800	64,080	64,448	178	N/A	Complied
Grade 12	63,888	63,178	64,800	64,080	64,448	178	N/A	Complied

See the accompanying note to the supplementary information .

**Pierce Joint Unified School District**

Schedule of Financial Trends and Analysis  
For the Year Ended June 30, 2011

	(Budget) 2012	2011	2010	2009
<b>GENERAL FUND</b>				
Revenues	\$ 9,948,980	\$ 10,590,429	\$ 10,259,798	\$ 12,389,256
Other sources	-	-	-	220,587
<b>Total Revenues and Other Sources</b>	<b>9,948,980</b>	<b>10,590,429</b>	<b>10,259,798</b>	<b>12,609,843</b>
Expenditures	10,074,090	9,776,645	10,346,939	11,523,231
Other uses and transfers out	-	-	20,254	439,198
<b>Total Expenditures and Other Uses</b>	<b>10,074,090</b>	<b>9,776,645</b>	<b>10,367,193</b>	<b>11,962,429</b>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(125,110)</b>	<b>813,784</b>	<b>(107,395)</b>	<b>647,414</b>
<b>ENDING FUND BALANCE, As Restated</b>	<b>\$ 3,064,989</b>	<b>\$ 3,190,099</b>	<b>\$ 2,376,315 *</b>	<b>\$ 2,469,876</b>
<b>AVAILABLE RESERVES</b>	<b>\$ 2,662,179</b>	<b>\$ 2,783,848</b>	<b>\$ 1,948,638</b>	<b>\$ 2,028,915</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<b>26.43%</b>	<b>28.47%</b>	<b>18.80%</b>	<b>16.96%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>\$ 5,603,651</b>	<b>\$ 5,899,452</b>	<b>\$ 6,022,985</b>	<b>\$ 6,160,941</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>1,270</b>	<b>1,266</b>	<b>1,268</b>	<b>1,246</b>

\*Beginning July 1, 2010, the District adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the Special Reserve for Other Than Capital Outlay Fund activities is now included in the General Fund rather than a separate fund.

The fund balance for the General Fund (as restated) has increased \$720,223 over the past two years. The fiscal year 2011-12 projects a fund balance decrease of \$125,110. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses.

The District produced an operating surplus of \$813,784 in 2010-11; a deficit of \$107,395 in 2009-10, and a surplus of \$647,414 in 2008-09.

Long-term debt decreased over the past two years by \$261,489.

Average Daily Attendance increased by 20 ADA over the past two years, and attendance is budgeted to increase by 4 ADA for the 2011-12 year.

See the accompanying note to the supplementary information .

**Pierce Joint Unified School District**

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 For the Year Ended June 30, 2011

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	General Fund	Special Reserve for Other Than Capital Outlay Fund
FUND BALANCE		
Balance, June 30, 2011, Unaudited Actuals	\$ 3,175,873	\$ 14,226
Adjustments and reclassifications:		
Reclassifications for financial statement presentation*	14,226	(14,226)
Balance, June 30, 2011, Audited Financial Statement	\$ 3,190,099	\$ -

\*This audit reclassification is made for financial statement presentation purposes only, pursuant to GASB 54 which, when applied, does not recognize this fund as a special revenue fund type. Therefore, the fund balance is consolidated with the General Fund. However, the District is permitted under current State law to account for this fund as a special revenue fund type for interim reporting and budgeting purposes.

See the accompanying note to the supplementary information .

**Pierce Joint Unified School District**

Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2011

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	<u>Special Reserve Capital Outlay Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>		
Deposits and investments	\$ 8,057	\$ 8,057
Receivables	60	60
<b>Total Assets</b>	<u>\$ 8,117</u>	<u>\$ 8,117</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ -
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>		
Restricted	8,117	8,117
<b>Total Fund Balances</b>	<u>8,117</u>	<u>8,117</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,117</u>	<u>\$ 8,117</u>

See the accompanying note to the supplementary information .

**Pierce Joint Unified School District**

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2011

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	<u>Special Reserve Capital Outlay Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>REVENUES</b>		
Other local sources	\$ 227	\$ 227
<b>Total Revenues</b>	<u>227</u>	<u>227</u>
 <b>NET CHANGE IN FUND BALANCES</b>	 227	 227
 <b>Fund Balance - Beginning</b>	 <u>7,890</u>	 <u>7,890</u>
<b>Fund Balance - Ending</b>	<u>\$ 8,117</u>	<u>\$ 8,117</u>

See the accompanying note to the supplementary information .



**Pierce Joint Unified School District**

Schedule of Charter Schools  
For the Year Ended June 30, 2011

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The District is not the sponsoring local educational agency for any charter schools.

See the accompanying note to the supplementary information .

**Pierce Joint Unified School District**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

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			
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected [1]	84.010	14329	\$ 129,193
NCLB: ARRA Title I, Part A, Basic Grants Low Income and Neglected [1]	84.389	15005	47,447
ARRA: State Fiscal Stabilization [1]	84.394	25008	259,920
Education Jobs Funding [1]	84.410	25152	60,529
Title IV, Part A, Safe and Drug Free Schools	84.186	14347	1,630
Title II, Part A, Improving Teacher Quality	84.367	14341	46,736
NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	84.318	14334	1,311
ARRA: Title II, Part D, Enhancing Education Through Technology	84.386	15019	2,568
NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	101,140
Title III, Limited English Proficiency	84.365	10084	62,831
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster [1]	10.553	13391	524,346
U.S. Department of Health and Human Services			
Passed Through California Department of Education			
Medical Billing Option	93.778	10013	<u>85,670</u>
	<b>Total Federal Programs</b>		<b><u>\$ 1,323,321</u></b>

[1] Major Program

See the accompanying note to the supplementary information .

## Pierce Joint Unified School District

Note to Supplementary Information  
June 30, 2011

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### NOTE 1 – PURPOSE OF SCHEDULES

#### **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 the District. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

#### **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.

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

This schedule provides the necessary information to reconcile the fund balances of all funds as reported on the Annual Financial and Budget Report to the audited financial statements.

#### **Non-Major Governmental Funds –**

##### **Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

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.

#### **Schedule of Charter Schools**

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

#### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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*OTHER INDEPENDENT AUDITORS' REPORTS*

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

The Board of Trustees  
Pierce Joint Unified School District  
Arbuckle, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pierce Joint Unified School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of the District is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency described as Finding 2011-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Board of Trustees  
Pierce Joint Unified School District

**Compliance and Other Matters**

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

The District's response to the finding is included in the accompanying schedule of findings and questioned costs. However, we did not audit the response and, accordingly, we express no opinion on it.

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

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
November 8, 2011

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

The Board of Trustees  
Pierce Joint Unified School District  
Arbuckle, California

We have audited Pierce Joint Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* applicable to the District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, published by the Education Audit Appeals Panel. Those standards and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, published by the Education Audit Appeals Panel 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 State laws and regulation applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Pierce Joint 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, 2011.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Yes

The Board of Trustees  
Pierce Joint Unified School District

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
District or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Nonclassroom Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Nonclassroom Based Instruction	3	Not Applicable
Annual Instruction Minutes - Classroom Based	3	Not Applicable

The term “not applicable” is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
November 8, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees  
Pierce Joint Unified School District  
Arbuckle, California

**Compliance**

We have audited Pierce Joint Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Pierce Joint Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

The Board of Trustees  
Pierce Joint Unified School District

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

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

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

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
November 8, 2011

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*FINDINGS AND RECOMMENDATIONS*

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**Pierce Joint Unified School District**

Summary of Auditors' Results  
 For the Year Ended June 30, 2011

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.389</u>	<u>NCLB: ARRA Title I, Part A</u>
<u>84.394</u>	<u>ARRA: State Fiscal Stabilization</u>
<u>84.410</u>	<u>Education Jobs Funding</u>
<u>10.553</u>	<u>National School Lunch Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**Pierce Joint Unified School District**

Financial Statement Findings  
For the Year Ended June 30, 2011

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The following findings represent reportable conditions, significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Governmental Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**2011-1 Code: 30000 – INTERNAL CONTROL**

**SEGREGATION OF DUTIES**

**Criteria** An effective system of internal control requires that employees who have access to District assets do not also have access to accounting records that are used to maintain control over the assets. In addition, all significant financial transactions need to be reviewed by another informed employee.

**Condition** Due to the limited size of the business office staff, an appropriate segregation of duties cannot always be maintained.

**Effect** When an appropriate segregation of duties is not maintained, there is more than a remote likelihood that a material misstatement of the financial statements may occur and not be detected by the District’s system of internal control.

**Cause** The District does not have adequate staff of specialized personnel to ensure that appropriate segregation of duties is maintained.

**Questioned Costs** None

**Recommendation** If the District determines that it cannot fully remediate the control weakness, management should develop alternative procedures which may help to mitigate the financial reporting risk of the District.

**District Response** The District does not have sufficient staff to segregate duties to the desired level. All financial transactions are reviewed by at least two administrators before execution.

**Pierce Joint Unified School District**

Federal Awards Findings and Questioned Costs  
For the Year Ended June 30, 2011

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This section identifies the audit findings pertaining to noncompliance with federal program rules and regulations.

The results of our test did not disclose any findings and questioned costs related to the federal awards.

**Pierce Joint Unified School District**

State Awards Findings and Questioned Costs  
For the Year Ended June 30, 2011

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This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

The results of our tests did not disclose any findings and questioned costs related to the state awards.

**Pierce Joint Unified School District**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011

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**FINANCIAL STATEMENT FINDINGS**

**2010-1 Code: 30000 – INTERNAL CONTROL**

**FINANCIAL REPORTING**

**Finding** School districts should have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management’s discussion and analysis are prepared and reviewed prior to the arrive of independent auditors, in accordance with GASB 34. The District does not have policies and procedures in place to ensure that this happens.

**Recommendation** Due to the nature of school finance and the specific types of financial activities processed by the District, management and the governing board should weigh the cost of eliminating this control weakness against the benefits to be received.

**Current Status** Implemented .

**2010-2 Code: 30000 – INTERNAL CONTROL**

**SEGREGATION OF DUTIES**

**Finding** An effective system of internal control requires that employees who have access to District assets do not also have access to accounting records that are used to maintain control over the assets. In addition, all significant financial transactions need to be reviewed by another informed employee. Due to the limited size of the business office staff, an appropriate segregation of duties cannot always be maintained.

**Recommendation** If the District determines that it cannot fully remediate the control weakness, management should develop alternative procedures, which may help to mitigate the financial reporting risk of the District.

**Current Status** Not Implemented. See 2011-1.



**Pierce Joint Unified School District**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

There were no prior year findings or questioned costs.

**STATE AWARDS FINDINGS AND QUESTIONED COSTS**

There were no prior year findings or questioned costs.