

Pierce Joint Unified School District

**Colusa County
Arbuckle, California**

**Report on Audit
June 30, 2012**

Pierce Joint Unified School District

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June 30, 2012

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FINANCIAL SECTION

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, 2012, 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 2011-12* 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, 2012, 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 December 3, 2012, 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 assessing the results of our audit.

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 in relation to the financial statements as a whole.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 3, 2012

Pierce Joint Unified School District

Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 2011-12 fiscal year. Over the course of the year, the total net assets increased by 2.29%.
- § On the Statement of Activities, total current year revenues exceeded total current year expenses by \$244,869.
- § Capital assets, net of depreciation, decreased \$505,753, due to accumulated depreciation growing at a higher rate than acquisitions and improvements.
- § Total long-term liabilities decreased \$8,910, due primarily to payments on the general obligation bonds.
- § The District's P-2 ADA increased from 1,266 ADA in fiscal year 2010-11 to 1,284 ADA in fiscal year 2011-12, an increase of 18 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, 2012

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, 2012

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's combined net assets, as of June 30, 2012, were \$10,942,040 reflecting an increase of 2.29% since June 30, 2011. Of this amount, \$3,278,663 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
	2012	2011	
Assets			
Current and other assets	\$ 6,244,346	\$ 5,524,451	\$ 719,895
Capital assets	11,257,404	11,763,157	(505,753)
Total Assets	17,501,750	17,287,608	214,142
Liabilities			
Current liabilities	980,297	986,786	(6,489)
Long-term obligations	5,579,413	5,603,651	(24,238)
Total Liabilities	6,559,710	6,590,437	(30,727)
Net Assets			
Invested in capital assets, net of related debt	5,472,115	6,018,295	(546,180)
Restricted	2,191,261	2,108,030	83,231
Unrestricted	3,278,664	2,570,846	707,818
Total Net Assets	\$ 10,942,040	\$ 10,697,171	\$ 244,869

Pierce Joint Unified School District

Management's Discussion and Analysis
 June 30, 2012

Change in Net Assets

The District's total revenues increased .8% to \$11,682,958. General revenues accounted for most of the District's revenue, contributing about 79% of every dollar raised. Another 21% came from fees charged for services and operating grants and contributions.

The total cost of all programs and services increased 2.88% to \$11,438,089. The District's expenses are predominantly related to educating and caring for students (67%). 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>2012</u>	<u>2011</u>	
Revenues			
Program revenues:			
Charges for services	\$ 250,177	\$ 256,398	\$ (6,221)
Operating grants and contributions	2,196,221	1,900,360	295,861
General revenues:			
Federal and State aid not restricted	5,639,157	5,647,454	(8,297)
Property taxes	3,248,680	3,417,676	(168,996)
Other general revenues	348,723	367,057	(18,334)
Total Revenues	<u>11,682,958</u>	<u>11,588,945</u>	<u>94,013</u>
Expenses			
Instruction-related	6,576,479	6,684,511	(108,032)
Student support services	1,052,852	979,129	73,723
Administration	907,523	864,396	43,127
Maintenance and operations	1,236,872	1,161,871	75,001
Other	1,664,363	1,419,319	245,044
Total Expenses	<u>11,438,089</u>	<u>11,109,226</u>	<u>328,863</u>
Change in Net Assets	<u>\$ 244,869</u>	<u>\$ 479,719</u>	<u>\$ (234,850)</u>

Governmental Activities

As reported in the Statement of Activities on page 11, the cost of all of our governmental activities was \$11,438,089 and \$11,109,226 for June 30, 2012 and 2011, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$8,991,691 and \$8,952,468, respectively, because a portion of the cost was paid by those who benefited from the programs (\$250,177 and \$256,398, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2,196,221 and \$1,900,360, respectively).

Pierce Joint Unified School District

Management’s Discussion and Analysis
June 30, 2012

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	
	2012	2011	2012	2011
Instruction	\$ 5,711,211	\$ 5,838,820	\$ 4,412,262	\$ 4,619,470
Instruction related services	865,268	845,691	776,859	713,409
Pupil services	1,052,852	979,129	94,054	255,661
Administration	907,523	864,396	827,386	789,349
Maintenance and operations	1,236,872	1,161,871	1,216,767	1,157,103
Other	1,664,363	1,419,319	1,664,363	1,417,476
Totals	\$ 11,438,089	\$ 11,109,226	\$ 8,991,691	\$ 8,952,468

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As the District completed the school year, the governmental funds reported a combined fund balance of \$5,507,794, which is an increase of \$615,913 from last year.

Table 4 - Governmental Funds

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General	\$ 3,190,102	\$ 10,564,776	\$ 10,116,915	\$ 3,637,963
Cafeteria	97,875	627,659	582,461	143,073
Bond Interest and Redemption	782,864	3,286,338	3,193,655	875,547
Capital Facilities	812,923	53,777	24,015	842,685
Other	8,117	409	-	8,526
Totals	\$ 4,891,881	\$ 14,532,959	\$ 13,917,046	\$ 5,507,794

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 2011-2012.

Pierce Joint Unified School District

Management's Discussion and Analysis
June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, net of depreciation, decreased \$505,753 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
	2012	2011	
Land and construction in progress	\$ 89,042	\$ 904,260	\$ (815,218)
Buildings and improvements	10,778,943	10,584,058	194,885
Equipment	389,419	274,839	114,580
Totals	\$ 11,257,404	\$ 11,763,157	\$ (505,753)

Long-Term Liabilities

Total long-term liabilities decreased \$8,910, primarily due to payments on bond obligations and the Golden Handshake program.

Table 6 - Outstanding Debt at Year-End

	Governmental Activities		Net Change
	2012	2011	
General obligation bonds	\$ 5,785,289	\$ 5,744,862	\$ 40,427
Accumulated vacation - net	26,864	40,400	(13,536)
Golden handshake	78,389	114,190	(35,801)
Totals	\$ 5,890,542	\$ 5,899,452	\$ (8,910)

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, 2012

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 2012-2013.
- § 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, 2012

	Governmental Activities
ASSETS	
Deposits and investments	\$ 4,158,787
Receivables	1,953,209
Prepaid expenses	132,350
Capital assets not depreciated	89,042
Capital assets, net of accumulated depreciation	<u>11,168,362</u>
Total Assets	<u>17,501,750</u>
LIABILITIES	
Accounts payable	613,887
Interest payable	53,807
Deferred revenue	1,474
Current portion of long-term obligations	311,129
Noncurrent portion of long-term obligations	<u>5,579,413</u>
Total Liabilities	<u>6,559,710</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,472,115
Restricted for:	
Debt service	875,547
Capital projects	851,211
Other activities	464,503
Unrestricted	<u>3,278,664</u>
Total Net Assets	<u><u>\$ 10,942,040</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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 5,711,211	\$ 127,659	\$ 1,171,290	\$ (4,412,262)
Instruction-related activities:				
Instructional library, media, and technology	26,634	-	25,309	(1,325)
School site administration	838,634	2,008	61,092	(775,534)
Pupil services:				
Home-to-school transportation	327,504	-	330,793	3,289
Food services	559,175	114,564	485,538	40,927
All other pupil services	166,173	107	27,796	(138,270)
Administration:				
Data processing	157,577	-	1,275	(156,302)
All other administration	749,946	5,515	73,347	(671,084)
Plant services	1,225,458	324	19,781	(1,205,353)
Facility acquisition and construction	11,414	-	-	(11,414)
Ancillary services	150,794	-	-	(150,794)
Community services	26,045	-	-	(26,045)
Enterprise services	14,613	-	-	(14,613)
Interest on long-term obligations	258,282	-	-	(258,282)
Other outgo	537,702	-	-	(537,702)
Depreciation (unallocated)	676,927	-	-	(676,927)
Total Governmental Activities	<u>\$ 11,438,089</u>	<u>\$ 250,177</u>	<u>\$ 2,196,221</u>	<u>(8,991,691)</u>
General revenues and subventions:				
				2,843,663
				405,017
				5,639,157
				190,801
				3,000
				154,922
			Subtotal, General Revenues	<u>9,236,560</u>
Change in Net Assets				244,869
				<u>10,697,171</u>
				<u>\$ 10,942,040</u>

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

Pierce Joint Unified School District

Governmental Funds
 Balance Sheet
 June 30, 2012

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 2,284,979	\$ 152,811	\$ 836,983	\$ 875,547	\$ 8,467	\$ 4,158,787
Receivables	1,874,975	72,473	5,702	-	59	1,953,209
Due from other funds	74,910	2,363	-	-	-	77,273
Prepaid expenditures	10,954	200	-	-	-	11,154
Total Assets	\$ 4,245,818	\$ 227,847	\$ 842,685	\$ 875,547	\$ 8,526	\$ 6,200,423
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 604,018	\$ 9,864	\$ -	\$ -	\$ -	\$ 613,882
Due to other funds	2,363	74,910	-	-	-	77,273
Deferred revenue	1,474	-	-	-	-	1,474
Total Liabilities	607,855	84,774	-	-	-	692,629
Fund Balances:						
Nonspendable:						
Revolving cash	2,000	-	-	-	-	2,000
Prepaid expenditures	10,954	200	-	-	-	11,154
Restricted	308,284	142,873	-	-	-	451,157
Assigned	-	-	842,685	875,547	8,526	1,726,758
Unassigned:						
Reserve for Economic Uncertainties	3,316,725	-	-	-	-	3,316,725
Total Fund Balances	3,637,963	143,073	842,685	875,547	8,526	5,507,794
Total Liabilities and Fund Balances	\$ 4,245,818	\$ 227,847	\$ 842,685	\$ 875,547	\$ 8,526	\$ 6,200,423

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, 2012

Total Fund Balance - Governmental Funds		\$ 5,507,794
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 20,262,942	
Accumulated depreciation is	<u>(9,005,538)</u>	
Net Capital Assets		11,257,404
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.		(53,812)
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	(5,785,289)	
Compensated absences (vacations)	(26,864)	
Other long-term debt	<u>(78,389)</u>	
Total Long-Term Obligations		<u>(5,890,542)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 10,942,040</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, 2012

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES						
Revenue limit sources	\$ 7,220,995	\$ -	\$ -	\$ -	\$ -	\$ 7,220,995
Federal sources	594,416	461,318	-	-	-	1,055,734
Other State sources	2,169,604	39,761	-	1,638	-	2,211,003
Other local sources	579,761	126,580	53,777	434,700	409	1,195,227
Total Revenues	<u>10,564,776</u>	<u>627,659</u>	<u>53,777</u>	<u>436,338</u>	<u>409</u>	<u>11,682,959</u>
EXPENDITURES						
Current						
Instruction	5,760,548	-	-	-	-	5,760,548
Instruction-related activities:						
Instructional library, media and technology	26,634	-	-	-	-	26,634
School site administration	838,634	-	-	-	-	838,634
Pupil services:						
Home-to-school transportation	488,690	-	-	-	-	488,690
Food services	4,960	554,215	-	-	-	559,175
All other pupil services	166,173	-	-	-	-	166,173
Administration:						
Data processing	157,577	-	-	-	-	157,577
All other administration	723,268	26,678	-	-	-	749,946
Plant services	1,213,463	1,568	20,415	-	-	1,235,446
Facility acquisition and construction	7,814	-	3,600	-	-	11,414
Ancillary services	150,794	-	-	-	-	150,794
Community services	26,045	-	-	-	-	26,045
Enterprise services	14,613	-	-	-	-	14,613
Other outgo	537,702	-	-	-	-	537,702
Debt service:						
Principal	-	-	-	260,000	-	260,000
Interest and other	-	-	-	219,793	-	219,793
Total Expenditures	<u>10,116,915</u>	<u>582,461</u>	<u>24,015</u>	<u>479,793</u>	<u>-</u>	<u>11,203,184</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>447,861</u>	<u>45,198</u>	<u>29,762</u>	<u>(43,455)</u>	<u>409</u>	<u>479,775</u>
Other Financing Sources (Uses)						
Proceeds from sale of refunding bonds	-	-	-	2,850,000	-	2,850,000
Payment to refunded bond escrow agent	-	-	-	(2,713,862)	-	(2,713,862)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,138</u>	<u>-</u>	<u>136,138</u>
NET CHANGE IN FUND BALANCES	447,861	45,198	29,762	92,683	409	615,913
Fund Balance - Beginning	<u>3,190,102</u>	<u>97,875</u>	<u>812,923</u>	<u>782,864</u>	<u>8,117</u>	<u>4,891,881</u>
	-	-	-	-	-	-
Fund Balance - Ending	<u>\$ 3,637,963</u>	<u>\$ 143,073</u>	<u>\$ 842,685</u>	<u>\$ 875,547</u>	<u>\$ 8,526</u>	<u>\$ 5,507,794</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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ 615,913
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	\$ (676,927)
Capital outlays	<u>171,174</u>
Net Expense Adjustment	(505,753)
Proceeds received from sale of bonds is a revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities.	
	(2,850,000)
Payment of costs for the issuance of certificates of participation or bonds is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net assets over the live of the bonds.	
	136,138
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.	
	3,009,663
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until 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:	
	(158,377)
In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period that it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt.	
Amortization of Deferred Loss on Refunding	(5,912)
Amortization of Issuance Costs	(14,942)
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:	
	4,603
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).	
	<u>13,536</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 244,869</u></u>

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

Pierce Joint Unified School District

Fiduciary Funds
 Statement of Net Assets and Changes in Fund Net Assets
 June 30, 2012

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash and investments	\$ 104,954	\$ 310,779	\$ 303,316	\$ 112,417
	<u>\$ 104,954</u>	<u>\$ 310,779</u>	<u>\$ 303,316</u>	<u>\$ 112,417</u>
Due to student groups				
Arbuckle Elementary	\$ 12,542	\$ 7,872	\$ 7,650	\$ 12,764
Grand Island Elementary	1,554	1,655	2,019	1,190
Lloyd G Johnson Junior High	22,325	75,675	76,050	21,950
Pierce High	68,533	225,577	217,597	76,513
Total due to student groups	<u>\$ 104,954</u>	<u>\$ 310,779</u>	<u>\$ 303,316</u>	<u>\$ 112,417</u>

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

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

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, 2012

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, 2012

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 the District. All transactions, except those accounted for 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, 2012

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).

Budgetary Data

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

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

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.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

Investments

Investments held at June 30, 2012 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and state investment pools are determined by the program sponsor.

Inventories and Prepaid Expenditures

Inventories are recorded using the consumption method, in that the cost is recorded as an expenditure at the time individual inventory items are withdrawn from stores inventory for consumption. Inventories in the applicable funds consist primarily of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net assets.

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. 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. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement costs. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed and recorded using the straight-line method.

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

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.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken, since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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 Balances – Governmental Funds

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

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The governing board or Chief Business Officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Spending Order Policy

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 for otherwise in its commitment or assignment actions.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Property Tax

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

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

New Accounting Pronouncements

During the 2011-2012 fiscal year, the following GASB pronouncements became effective:

In December 2010, the GASB issued GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements”.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

The Statement also supersedes Statement No. 20, *“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting”*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

In June 2011, the GASB issued GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *“Elements of Financial Statements”*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, the GASB issued GASB Statement No. 64, *“Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53”*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

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, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 4,158,787
Fiduciary funds	112,417
Total Deposits and Investments	<u>\$ 4,271,204</u>
Cash on hand and in banks	\$ 112,417
Cash in revolving	2,000
Investments	4,156,787
Total Deposits and Investments	<u>\$ 4,271,204</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, 2012

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 based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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:

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

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. The District maintains and investment with the Colusa County Investment Pool with a fair value of approximately \$4,149,733 and an amortized book value of \$4,156,787. The average weighted maturity for this pool is 6.46 years.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk for deposits 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, 2012, 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, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 52,071	\$ 71,790	\$ -	\$ -	\$ 123,861
State Government					
Apportionment	1,445,015	-	-	-	1,445,015
Categorical aid	149,974	-	-	-	149,974
Lottery	14,606	-	-	-	14,606
Local Government					
Interest	21,353	683	5,702	59	27,797
Other Local Sources	191,956	-	-	-	191,956
Total	<u>\$ 1,874,975</u>	<u>\$ 72,473</u>	<u>\$ 5,702</u>	<u>\$ 59</u>	<u>\$ 1,953,209</u>

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity, for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
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	-	815,218	89,042
Capital Assets Being Depreciated:				
Land Improvements	638,655	-	-	638,655
Buildings and Improvements	17,372,313	815,218	-	18,187,531
Furniture and Equipment	1,176,540	171,174	-	1,347,714
Total Capital Assets Being Depreciated	19,187,508	986,392	-	20,173,900
Total Capital Assets	20,091,768	986,392	815,218	20,262,942
Less Accumulated Depreciation:				
Land Improvements	380,642	24,509	-	405,151
Buildings and Improvements	7,046,268	595,824	-	7,642,092
Furniture and Equipment	901,701	56,594	-	958,295
Total Accumulated Depreciation	8,328,611	676,927	-	9,005,538
Governmental Activities Capital Assets, Net	<u>\$ 11,763,157</u>	<u>\$ 309,465</u>	<u>\$ 815,218</u>	<u>\$ 11,257,404</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 From / Due To Other Funds

Amounts Due From / Due To Other Funds, as of June 30, 2012, are as follows:

Due To	Due From		
	General Fund	Cafeteria Fund	Total
General Fund	\$ -	\$ 74,910	\$ 74,910
Cafeteria Fund	2,363	-	2,363
Total	<u>\$ 2,363</u>	<u>\$ 74,910</u>	<u>\$ 77,273</u>

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

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, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	\$ 4,656,041	\$ 2,850,000	\$ 2,920,000	\$ 4,586,041	\$ 285,000
Accreted interest	1,088,821	158,377	-	1,247,198	-
Deferred loss on refunding	-	(53,862)	(5,912)	(47,950)	-
Accumulated vacation - net	40,400	-	13,536	26,864	-
Golden handshake	114,190	-	35,801	78,389	26,129
	<u>\$ 5,899,452</u>	<u>\$ 2,954,515</u>	<u>\$ 2,963,425</u>	<u>\$ 5,890,542</u>	<u>\$ 311,129</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 Outstanding July 1, 2011	Issued	Redeemed	Bonds Outstanding June 30, 2012
Current Interest	2002	8/1/2018	3.25-5.00%	\$ 4,260,000	\$ 2,920,000	\$ -	\$ 2,920,000	\$ -
Capital Appreciation	2002	8/1/2027	5.30-5.64%	\$ 1,736,041	1,736,041	-	-	1,736,041
Refunding	2011	8/1/2018	0.65-3.0%	\$ 2,850,000	-	2,850,000	-	2,850,000
					<u>\$ 4,656,041</u>	<u>\$ 2,850,000</u>	<u>\$ 2,920,000</u>	<u>\$ 4,586,041</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.

In September 2011, the District issued \$2,850,000 of refunding bonds to retire the 2002 current interest bonds originally issued in the aggregate principal of \$4,260,000. The new bonds bear interest between 0.65% and 3.0%, and are due in annual installments ranging from \$360,000 to \$470,000 through August 1, 2018. The new issued bonds will reduce debt service payments for the District by \$183,573 with an economic gain of \$175,365.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

The annual requirement to amortize the refunding bonds payable, outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 360,000	\$ 39,876	\$ 399,876
2014	365,000	37,245	402,245
2015	385,000	33,860	418,860
2016	400,000	29,435	429,435
2017	425,000	23,323	448,323
2018-2022	915,000	20,665	935,665
Total	<u>\$ 2,850,000</u>	<u>\$ 184,403</u>	<u>\$ 3,034,403</u>

The annual requirement to amortize the capital appreciation bonds payable, outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018-2022	629,546	1,015,454	1,645,000
2023-2027	931,586	2,213,414	3,145,000
2028	174,909	525,091	700,000
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, 2012, are as follows:

<u>Year</u>	<u>Golden Handshake</u>
2013	\$ 29,609
2014	28,449
2015	27,289
	85,347
Less amount representing interest	<u>(6,958)</u>
Present value of net minimum payments	<u>\$ 78,389</u>

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District, at June 30, 2012, amounted to \$26,864.

NOTE 7 – 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 2011-2012 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>
2011-2012	\$ 382,735	100%
2010-2011	\$ 376,103	100%
2009-2010	\$ 394,199	100%

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 Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

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 2011-2012 was 10.923 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

The District’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-2012	\$ 156,858	100%
2010-2011	\$ 146,338	100%
2009-2010	\$ 132,772	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 District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$229,873 to CalSTRS (4.855% of salaries subject to CalSTRS in 2011-12).

NOTE 8 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Award and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

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, 2012.

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.

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

Future minimum lease payments under these agreements are as follows:

Year Ending	Lease Payment
2013	\$ 41,748
2014	39,168
2015	34,572
2016	17,417
2017	3,130
Total	<u>\$ 136,035</u>

NOTE 9– 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 10 for additional information regarding the JPAs.

NOTE 10 – 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.

The District is a member of the following JPAs:

ENTITY	PURPOSE	PARTICIPANTS	GOVERNING BOARD
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

Pierce Joint Unified School District

Notes to Financial Statements
June 30, 2012

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2012, expenditures exceeded appropriations in the General Fund as follows:

Other Outgo	<u>\$ 10,384</u>
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REQUIRED SUPPLEMENTARY INFORMATION

Pierce Joint Unified School District

General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	(a)	Actual Amounts
	(GAAP Basis)			Budget to	
	Original	Final	Budgetary Basis	Differences	GAAP Basis
REVENUES					
Revenue limit sources	\$ 7,224,653	\$ 7,206,592	\$ 7,220,995	\$ -	\$ 7,220,995
Federal sources	388,636	655,032	594,416	-	594,416
Other State sources	2,071,848	2,044,490	2,169,603	-	2,169,603
Other local sources	263,843	418,912	579,045	717	579,762
Total Revenues	9,948,980	10,325,026	10,564,059	717	10,564,776
EXPENDITURES					
Current					
Certificated Salaries	4,781,639	4,925,857	4,734,763	-	4,734,763
Classified Salaries	1,315,516	1,342,063	1,324,290	-	1,324,290
Employee Benefits	1,810,959	1,842,594	1,710,070	-	1,710,070
Books and Supplies	522,737	834,216	637,013	-	637,013
Services and Other Operating Expenditures	1,118,327	1,170,398	1,022,240	-	1,022,240
Capital Outlay	19,235	283,180	177,515	-	177,515
Other outgo	505,677	500,640	511,024	-	511,024
Total Expenditures	10,074,090	10,898,948	10,116,915	-	10,116,915
Excess (Deficiency) of Revenues Over Expenditures	(125,110)	(573,922)	447,144	717	447,861
Other Financing Sources (Uses)					
Transfers in	-	14,226	14,226	(14,226)	-
Net Financing Sources (Uses)	-	14,226	14,226	(14,226)	-
NET CHANGE IN FUND BALANCE	(125,110)	(559,696)	461,370	(13,509)	447,861
Fund Balance - Beginning	3,175,876	3,175,876	3,175,876	14,226	3,190,102
Fund Balance - Ending	\$ 3,050,766	\$ 2,616,180	\$ 3,637,246	\$ 717	\$ 3,637,963

(a) Differences are the result of the General Fund including activity of the Special Reserve for Other Than Capital Outlay Projects Fund.

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

SUPPLEMENTARY INFORMATION

Pierce Joint Unified School District

Local Educational Agency Organization Structure
June 30, 2012

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>
Abel Gomez	President	December 2012
John Friel	Vice-President	December 2014
Nadine High	Clerk	December 2012
Debbie Charter	Member	December 2012
Amy Charter	Member	December 2014

ADMINISTRATION

Ernest C. Sopp	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, 2012

	Original		Revised	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Kindergarten	103	103	103	103
First through third	294	296	294	296
Fourth through sixth	310	311	310	311
Seventh and eighth	227	226	227	226
Opportunity schools	-	-	-	-
Home and hospital	-	-	-	-
Special education	3	3	3	3
Total Elementary	<u>937</u>	<u>939</u>	<u>937</u>	<u>939</u>
SECONDARY				
Regular classes	334	330	334	330
Continuation education	7	7	7	7
Opportunity schools	-	-	-	-
Home and hospital	-	-	-	-
Special education	6	6	6	6
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>347</u>	<u>343</u>	<u>347</u>	<u>343</u>
Total K-12	<u>1,284</u>	<u>1,282</u>	<u>1,284</u>	<u>1,282</u>
REGIONAL OCCUPATIONAL PROGRAM	-	-	-	-
CLASSES FOR ADULTS				
Concurrently enrolled	-	-	-	-
Not concurrently enrolled	-	-	-	-
Adults in correctional facilities	-	-	-	-
Total Classes for Adults	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total	<u>1,284</u>	<u>1,282</u>	<u>1,284</u>	<u>1,282</u>

See the accompanying note to the supplementary information.

Pierce Joint Unified School District

Schedule of Instructional Time
For the Year Ended June 30, 2012

Grade Level	1982-83	1982-83	1986-87	1986-87	2011-2012	Number of Days		Status
	Actual Minutes	Adjusted and Reduced	Minutes Requirement	Adjusted and Reduced	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	32,560	30,389	36,000	33,600	36,000	180	N/A	Complied
Grades 1 - 3								
Grade 1	47,755	44,571	50,400	47,040	52,765	180	N/A	Complied
Grade 2	47,755	44,571	50,400	47,040	52,765	180	N/A	Complied
Grade 3	47,755	44,571	50,400	47,040	52,765	180	N/A	Complied
Grades 4 - 6								
Grade 4	55,843	52,120	54,000	50,400	55,710	180	N/A	Complied
Grade 5	55,843	52,120	54,000	50,400	55,710	180	N/A	Complied
Grade 6	55,843	52,120	54,000	50,400	55,710	180	N/A	Complied
Grades 7 - 8								
Grade 7	55,843	52,120	54,000	50,400	62,833	180	N/A	Complied
Grade 8	55,843	52,120	54,000	50,400	62,833	180	N/A	Complied
Grades 9 - 12								
Grade 9	63,888	59,629	64,800	60,480	65,117	180	N/A	Complied
Grade 10	63,888	59,629	64,800	60,480	65,117	180	N/A	Complied
Grade 11	63,888	59,629	64,800	60,480	65,117	180	N/A	Complied
Grade 12	63,888	59,629	64,800	60,480	65,117	180	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, 2012

	(Budget) 2013	2012	2011	2010
GENERAL FUND				
Revenues	\$ 9,361,024	\$ 10,564,059	\$ 10,391,399	\$ 10,259,797
Other sources	-	14,226	-	-
Total Revenues and Other Sources	9,361,024	10,578,285	10,391,399	10,259,797
Expenditures	10,223,541	10,116,915	9,578,004	10,346,939
Other uses and transfers out	-	-	-	20,252
Total Expenditures and Other Uses	10,223,541	10,116,915	9,578,004	10,367,191
INCREASE (DECREASE) IN FUND BALANCE	(862,517)	461,370	813,395	(107,394)
ENDING FUND BALANCE	\$ 2,774,729	\$ 3,637,246	\$ 3,175,876	\$ 2,362,481
AVAILABLE RESERVES	\$ 2,467,164	\$ 3,316,725	\$ 2,798,078	\$ 1,962,472
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	24.13%	32.78%	29.21%	18.93%
LONG-TERM OBLIGATIONS	\$ 5,437,363	\$ 5,890,542	\$ 5,899,452	\$ 6,022,985
K-12 AVERAGE DAILY ATTENDANCE AT P-2	1,285	1,284	1,266	1,268

¹ - Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund and the Special Reserve for Other Than Capital Outlay Fund.

² - Exclusive of Adult ADA

This schedule reflects the General Fund on a budgetary fund basis, which excludes the changes in fund balance of the Special Reserve for Other Than Capital Outlay Fund.

The fund balance for the General Fund has increased \$1,274,765 over the past two years. The fiscal year 2012-13 projects a fund balance decrease of \$862,517. 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 \$461,370 in 2011-12; a surplus of \$813,395 in 2010-11, and a deficit of \$107,394 in 2009-10.

Long-term debt decreased over the past two years by \$132,443.

Average Daily Attendance increased by 16 ADA over the past two years, and attendance is budgeted to increase by 1 ADA for the 2012-13 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, 2012

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Special Reserve for Other Than Capital Outlay Fund</u>
FUND BALANCE			
June 30, 2012, Annual Financial and Budget Report Fund Balance	\$ 3,637,246	\$ 143,066	\$ 717
Audit adjustments:			
Due from other funds	<u>-</u>	<u>7</u>	<u>-</u>
June 30, 2012, Audited Financial Statements Fund Balance (Budgetary Basis)	3,637,246	143,073	717
Change in fund type classification per implementation of GASB Statement No. 54	<u>717</u>	<u>-</u>	<u>(717)</u>
June 30, 2012, Audited Financial Statements Fund Balance (GAAP Basis)	<u>\$ 3,637,963</u>	<u>\$ 143,073</u>	<u>\$ -</u>

See the accompanying note to the supplementary information.

Pierce Joint Unified School District

Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2012

	<u>Special Reserve Capital Outlay Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS		
Deposits and investments	\$ 8,467	\$ 8,467
Receivables	59	59
Total Assets	<u>\$ 8,526</u>	<u>\$ 8,526</u>
LIABILITIES AND FUND BALANCES		
Fund Balances:		
Assigned	\$ 8,526	\$ 8,526
Total Fund Balances	<u>8,526</u>	<u>8,526</u>
Total Liabilities and Fund Balances	<u>\$ 8,526</u>	<u>\$ 8,526</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, 2012

	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
REVENUES		
Other local sources	\$ 409	\$ 409
Total Revenues	<u>409</u>	<u>409</u>
NET CHANGE IN FUND BALANCES	409	409
Fund Balance - Beginning	<u>8,117</u>	<u>8,117</u>
Fund Balance - Ending	<u><u>\$ 8,526</u></u>	<u><u>\$ 8,526</u></u>

See the accompanying note to the supplementary information.

Pierce Joint Unified School District

Schedule of Charter Schools
For the Year Ended June 30, 2012

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, 2012

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	84.010	14329	\$ 173,416
ARRA: State Fiscal Stabilization [1]	84.394	25008	126,451
Education Jobs Funding [1]	84.410	25152	206,276
Carl D. Perkins Career & Technical Education	84.048	14894	6,308
Title II, Part A, Improving Teacher Quality	84.367	14341	47,079
NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	84.318	14334	300
NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	72,338
Title III, Limited English Proficiency	84.365	10084	51,834
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition: School Programs [1]	10.555	13391	<u>582,469</u>
		Total Federal Programs	<u>\$ 1,266,471</u>

[1] Major Program

See the accompanying note to the supplementary information.

Pierce Joint Unified School District

Note to Supplementary Information
June 30, 2012

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.

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.

OTHER INDEPENDENT AUDITORS' REPORTS

**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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2012. 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 2012-1 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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
December 3, 2012

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 2011-12* applicable to the District's government programs as noted below for the year ended June 30, 2012. 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 2011-12*, 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 2011-12*, 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, 2012.

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	6	Yes
Kindergarten Continuance	3	Yes
Teacher Certification & Misassignments	3	Yes
Independent Study	23	Yes
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
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils – Pertussis Immunization	2	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	5	Yes
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	3	Not Applicable
Mode of Instruction	1	Not Applicable
Non-Classroom Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non-Classroom Based Instruction	3	Not Applicable
Annual Instruction Minutes - Classroom Based	4	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
December 3, 2012

**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, 2012. 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, 2012.

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
December 3, 2012

FINDINGS AND RECOMMENDATIONS

Pierce Joint Unified School District

Summary of Auditors' Results
 For the Year Ended June 30, 2012

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>
84.394	ARRA: State Fiscal Stabilization
84.410	Education Jobs Funding
10.555	National School Lunch Program

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

Federal Awards Findings and Questioned Costs
For the Year Ended June 30, 2012

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

2012-1 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

Perspective Based on our testing and our observations of the District’s internal control structure, it is apparent that the District does not have sufficient accounting personnel required to adequately segregate the essential accounting function duties. This situation is the result of the limitation of accounting personnel funding for a district of this size. Although segregation of duties is lacking, the situation did not result in any further findings.

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, 2012

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

The results of our tests 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, 2012

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, 2012

FINANCIAL STATEMENT FINDINGS

2011-1 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 2012-1.

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.