

PIERCE JOINT UNIFIED SCHOOL DISTRICT

**COUNTY OF COLUSA
ARBUCKLE, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PIERCE JOINT UNIFIED SCHOOL DISTRICT

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PIERCE JOINT UNIFIED SCHOOL DISTRICT

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pierce Joint Unified School District
Arbuckle, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pierce Joint Unified School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pierce Joint Unified School District (the “District”), as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

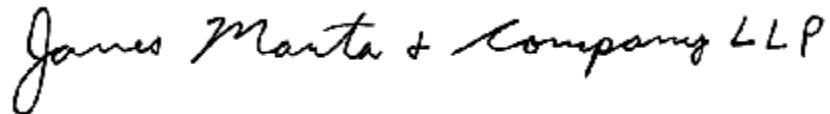
Accounting principles generally accepted in the United States of America require that management’s discussion and analysis and budgetary comparison information on pages 4-10 and 33-34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying supplemental information as listed in the table of contents, including the schedule of expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 to 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014 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* in considering District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

PIERCE JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014. 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

- Over the course of the year, the total net position increased 12%.
- On the Statement of Activities, total current year revenues exceeded total current year expenditures by \$1,298,037.
- Capital assets, net of depreciation, decreased \$167,573, due to accumulated depreciation growing at a higher rate than acquisitions and improvements.
- Total long-term liabilities decreased \$194,661, due primarily to payments on the general obligation bonds.
- The District's P-2 ADA increased from 1,321 ADA in fiscal year 2012-13 to 1,355 ADA in fiscal year 2013-14, an increase of 34 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, 2014

DISTRICT-WIDE STATEMENTS

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and 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 position and changes in them. Net Position is 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 position 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 Position* 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 transitional 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 Position 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, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position, as of June 30, 2014, was \$11,802,186 reflecting an increase of 12% since June 30, 2013. Of this amount, \$6,235,582 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 Position

	<u>Governmental Activities</u>		<u>Net Change</u>
	<u>2014</u>	<u>2013</u>	
Assets			
Current and other assets	\$ 7,484,742	\$ 6,411,239	\$ 1,073,503
Capital assets	10,537,977	10,705,550	(167,573)
Total Assets	<u>18,022,719</u>	<u>17,116,789</u>	<u>905,930</u>
Deferred Outflows			
Deferred loss on refunding of bonds	36,126	42,038	(5,912)
Total Deferred Outflows	<u>36,126</u>	<u>42,038</u>	<u>(5,912)</u>
Liabilities			
Current liabilities	558,678	762,036	(203,358)
Long-term obligations	5,697,981	5,892,642	(194,661)
Total Liabilities	<u>6,256,659</u>	<u>6,654,678</u>	<u>(398,019)</u>
Net Position			
Invested in capital assets, net of related debt	5,073,344	5,053,223	20,121
Restricted	493,260	464,452	28,808
Unrestricted	6,235,582	4,986,474	1,249,108
Total Net Position	<u>\$ 11,802,186</u>	<u>\$ 10,504,149</u>	<u>\$ 1,298,037</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Change in Net Position

The District's total revenues increased 16.9% to \$13,465,208. General revenues accounted for most of the District's revenue, contributing about 82% of every dollar raised. Another 18% came from fees charged for services and operating grants and contributions.

The total cost of all programs and services increased 4.6% to \$12,167,171. The District's expenses are predominantly related to educating and caring for students (70%). The purely administrative activities of the District accounted for 9% of total costs.

Table 2 -Change in Net Position

	<u>Governmental Activities</u>		Net Change
	<u>2014</u>	<u>2013</u>	
Revenues			
Program revenues:			
Charges for services	\$ 281,786	\$ 257,500	\$ 24,286
Operating grants and contributions	2,149,779	1,896,188	253,591
General revenues:			
Federal and State aid not restricted	6,896,548	5,632,321	1,264,227
Property taxes	3,417,843	3,390,436	27,407
Other general revenues	719,252	344,303	374,949
Total Revenues	<u>13,465,208</u>	<u>11,520,748</u>	<u>1,944,460</u>
Expenses			
Instruction-related	7,336,215	6,859,364	476,851
Student support services	1,150,789	1,096,075	54,714
Administration	1,043,731	923,776	119,955
Maintenance and operations	1,105,748	1,157,539	(51,791)
Other	1,530,688	1,598,489	(67,801)
Total Expenses	<u>12,167,171</u>	<u>11,635,243</u>	<u>531,928</u>
Change in Net Position	<u>\$ 1,298,037</u>	<u>\$ (114,495)</u>	<u>\$ 1,412,532</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Governmental Activities

As reported in the Statement of Activities on page 12, the cost of all of our governmental activities was \$12,167,171 and \$11,635,243 for June 30, 2014 and 2013, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3,417,843 and \$3,390,436, respectively, because a portion of the cost was paid by those who benefited from the programs (\$281,786 and \$257,500, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2,149,779 and \$1,896,188, respectively).

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2014	2013	2014	2013
Instruction	\$ 6,430,504	\$ 5,946,651	\$ 4,929,581	\$ 4,760,322
Instruction related services	905,711	912,713	863,325	836,229
Pupil services	1,150,789	1,096,075	499,274	289,455
Administration	1,043,731	923,776	947,012	843,362
Maintenance and operations	1,105,748	1,157,539	988,679	1,155,911
Other	1,530,688	1,598,489	1,507,735	1,596,276
Totals	<u>\$ 12,167,171</u>	<u>\$ 11,635,243</u>	<u>\$ 9,735,606</u>	<u>\$ 9,481,555</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, the governmental funds reported a combined fund balance of \$6,940,974, which is an increase of \$1,275,644 from last year

Table 4 - Governmental Funds

	<u>Balances and Activity</u>			
	<u>July 1, 2013</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>July 1, 2014</u>
General	\$ 3,809,987	\$ 11,822,670	\$ 10,800,524	\$ 4,832,133
Bond Interest and Redemption	805,767	418,646	403,245	821,168
Cafeteria	166,490	677,800	659,812	184,478
Capital Facilities	874,300	562,745	342,673	1,094,372
Other	8,786	37	-	8,823
Totals	<u>\$ 5,665,330</u>	<u>\$ 13,481,898</u>	<u>\$ 12,206,254</u>	<u>\$ 6,940,974</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, net of depreciation, decreased \$167,573 as accumulated depreciation grew at a higher rate than acquisitions and improvements

Table 5 - Capital Assets at Year-End

	<u>Governmental Activities</u>		<u>Net Change</u>
	<u>2014</u>	<u>2013</u>	
Land and construction in progress	\$ 89,042	\$ 89,042	\$ -
Building and improvements	10,044,335	10,277,293	(232,958)
Equipment	404,600	339,215	65,385
Totals	\$ 10,537,977	\$ 10,705,550	\$ (167,573)

Long-Term Liabilities

Total long-term liabilities decreased \$194,661, primarily due to payments on bond obligations.

Table 6 - Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Net Change</u>
	<u>2014</u>	<u>2013</u>	
General obligation bonds	\$ 5,464,633	\$ 5,652,327	\$ (187,694)
Accumulated vacation - net	31,148	26,296	4,852
Early Retirement Incentive: STRS Golden Handshake	-	52,259	(52,259)
Supplemental Employee Retirement Plan	202,200	161,760	40,440
Totals	\$ 5,697,981	\$ 5,892,642	\$ (194,661)

PIERCE JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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.

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 2014-15.
- 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.

BASIC FINANCIAL STATEMENTS

PIERCE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,123,433
Receivables	1,346,477
Prepaid expenses	14,832
Capital assets, net of accumulated depreciation	<u>10,537,977</u>
Total Assets	<u>18,022,719</u>
DEFERRED OUTFLOWS	
Deferred loss on refunding of bonds	<u>36,126</u>
LIABILITIES	
Accounts payable and other current liabilities	558,678
Long-term liabilities:	
Due within one year	441,515
Due in more than one year	<u>5,256,466</u>
Total Liabilities	<u>6,256,659</u>
NET POSITION	
Invested in capital assets, net of related debt	5,073,344
Restricted	493,260
Unrestricted	<u>6,235,582</u>
Total Net Position	<u>\$ 11,802,186</u>

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

PIERCE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 6,430,504	\$ 141,257	\$ 1,359,666	\$ -	\$ (4,929,581)
Instructional library, media and technology	35,400	-	33,980	-	(1,420)
School site administration	870,311	1,401	7,005	-	(861,905)
Pupil Services:					
Home-to-school transportation	347,851	-	-	-	(347,851)
Food services	628,913	119,787	522,225	-	13,099
All other pupil services	174,025	-	9,503	-	(164,522)
General administration:					
Centralized data processing	234,761	-	-	-	(234,761)
All other general administration	808,970	6,377	90,342	-	(712,251)
Plant services	1,105,748	301	116,768	-	(988,679)
Ancillary services	201,309	12,663	10,290	-	(178,356)
Community services	19,320	-	-	-	(19,320)
Enterprise activities	6,959	-	-	-	(6,959)
Interest on long-term debt	214,335	-	-	-	(214,335)
Other outgo	424,264	-	-	-	(424,264)
Depreciation (unallocated)	664,501	-	-	-	(664,501)
Total governmental activities	\$ 12,167,171	\$ 281,786	\$ 2,149,779	\$ -	(9,735,606)
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					3,002,486
Taxes levied for debt service					415,357
Federal and state aid not restricted to specific purposes					6,896,548
Interest and investment earnings					25,629
Interagency revenues					41,055
Miscellaneous					652,568
Internal Transfers					-
		Total General Revenues			11,033,643
			Change in Net Position		1,298,037
			Net Position - Beginning		10,504,149
			Net Position, June 30, 2014		\$ 11,802,186

PIERCE JOINT UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Cafeteria Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 4,061,218	\$ 1,025,266	\$ 821,168	\$ 206,967	\$ 8,814	\$ 6,123,433
Accounts receivable	1,196,101	85,799	-	64,568	9	1,346,477
Due from other funds	103,351	-	-	1,235	-	104,586
Prepaid expenses	14,632	-	-	200	-	14,832
Total Assets	<u>\$ 5,375,302</u>	<u>\$ 1,111,065</u>	<u>\$ 821,168</u>	<u>\$ 272,970</u>	<u>\$ 8,823</u>	<u>\$ 7,589,328</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 541,934	\$ -	\$ -	\$ 1,834	\$ -	\$ 543,768
Due to other funds	1,235	16,693	-	86,658	-	104,586
Total Liabilities	<u>543,169</u>	<u>16,693</u>	<u>-</u>	<u>88,492</u>	<u>-</u>	<u>648,354</u>
Fund balances						
Nonspendable	24,632	-	-	200	-	24,832
Restricted	308,982	-	-	184,278	-	493,260
Assigned	1,025	1,094,372	821,168	-	8,823	1,925,388
Unassigned	4,497,494	-	-	-	-	4,497,494
Total Fund Balances	<u>4,832,133</u>	<u>1,094,372</u>	<u>821,168</u>	<u>184,478</u>	<u>8,823</u>	<u>6,940,974</u>
Total liabilities and fund balances	<u>\$ 5,375,302</u>	<u>\$ 1,111,065</u>	<u>\$ 821,168</u>	<u>\$ 272,970</u>	<u>\$ 8,823</u>	<u>\$ 7,589,328</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total fund balances - governmental funds \$ 6,940,974

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost:	\$ 20,759,018	
Accumulated depreciation:	<u>(10,221,041)</u>	
Net:		10,537,977

Unamortized costs: In governmental funds, deferred loss on refunding of bonds are recognized as expenditures in the period they are incurred. In the government-wide statements, deferred loss on refunding of bonds are amortized over the life of the debt. 36,126

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (14,910)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable:	\$ (5,464,633)	
Supplemental employee retirement plan	(202,200)	
Compensated absences payable	<u>(31,148)</u>	
		<u>(5,697,981)</u>

Total net position, governmental activities: \$ 11,802,186

PIERCE JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Cafeteria Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
REVENUES						
LCFF sources:						
State apportionment	\$ 6,661,466	\$ -	\$ -	\$ -	\$ -	\$ 6,661,466
Local sources	<u>3,002,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,002,485</u>
Total LCFF revenue	9,663,951	-	-	-	-	9,663,951
Federal revenue	552,043	-	-	509,906	-	1,061,949
Other state revenues	1,155,275	-	1,918	39,939	-	1,197,132
Other local revenues	<u>434,708</u>	<u>562,745</u>	<u>416,728</u>	<u>127,955</u>	<u>37</u>	<u>1,542,173</u>
Total revenues	<u>11,805,977</u>	<u>562,745</u>	<u>418,646</u>	<u>677,800</u>	<u>37</u>	<u>13,465,205</u>
EXPENDITURES						
Certificated salaries	5,118,054	-	-	-	-	5,118,054
Classified salaries	1,383,505	-	-	244,793	-	1,628,298
Employee benefits	1,762,003	-	-	85,702	-	1,847,705
Books and supplies	893,531	-	-	284,195	-	1,177,726
Services and other operating expenditures	1,003,055	32,086	-	11,853	-	1,046,994
Capital outlay	203,034	293,894	-	-	-	496,928
Other outgo	437,342	-	-	33,269	-	470,611
Debt service expenditures	<u>-</u>	<u>-</u>	<u>403,245</u>	<u>-</u>	<u>-</u>	<u>403,245</u>
Total expenditures	<u>10,800,524</u>	<u>325,980</u>	<u>403,245</u>	<u>659,812</u>	<u>-</u>	<u>12,189,561</u>
Excess (deficiency) of revenues over expenditures	1,005,453	236,765	15,401	17,988	37	1,275,644
OTHER FINANCING SOURCES (USES)						
Operating transfers in	16,693	-	-	-	-	16,693
Operating transfers out	<u>-</u>	<u>(16,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,693)</u>
Total other financing sources (uses)	<u>16,693</u>	<u>(16,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,022,146	220,072	15,401	17,988	37	1,275,644
Fund balances, July 1, 2013	<u>3,809,987</u>	<u>874,300</u>	<u>805,767</u>	<u>166,490</u>	<u>8,786</u>	<u>5,665,330</u>
Fund balances, June 30, 2014	<u>\$ 4,832,133</u>	<u>\$ 1,094,372</u>	<u>\$ 821,168</u>	<u>\$ 184,478</u>	<u>\$ 8,823</u>	<u>\$ 6,940,974</u>

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

PIERCE JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES

JUNE 30, 2014

Total net change in fund balances - governmental funds \$ 1,275,644

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 496,928	
Depreciation expense:	<u>(664,501)</u>	(167,573)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 365,000

Accreted interest on capital appreciation bonds is recognized as an expense in the government-wide statement of activities. (177,306)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 1,217

Supplemental Employee Retirement Plan (SERP): In governmental funds, SERP costs are recognized when employer payments are made. In the statement of activities, SERP costs are recognized on the accrual basis. This year, the difference between SERP costs and actual employer payments was: 11,819

Compensated absences in governmental funds are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (4,852)

Deferred loss on refunding of bonds: In governmental funds, loss on refunding of bonds is recognized when the loss is incurred. In the statement of activities, deferred losses are amortized over the life of the new debt. The amount amortized in the current year was: (5,912)

Total change in net position - governmental activities \$ 1,298,037

PIERCE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	<u>Agency Fund</u> <u>Student Body</u>
Assets:	
Cash on hand and in banks	\$ 177,229
Liabilities:	
Due to student groups	<u>177,229</u>
Net Position	<u><u>\$ -</u></u>

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

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY OF THE ORGANIZATION

The Pierce Joint Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Governing Board elected by registered voters of the District, which comprises an area in Colusa County. The District serves students in grades kindergarten through twelfth.

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. ACCOUNTING POLICIES

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

D. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental activities, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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.

PIERCE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

E. MEASUREMENT FOCUS AND 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.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. For the District, "available" means collectible within the current period or within 60 days after year-end.

PIERCE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

F. 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 or retained earnings, revenues, and expenditures or expenses, as appropriate. 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:

Governmental Funds

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures of the District, not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The **Cafeteria Fund** is used to account separately for federal, state, and local resources to operate the food service program.

The **Capital Projects Funds** are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the 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).

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of other parties in a trustee or agent capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

The **Agency Funds** are used to account for assets of others for which the District acts as an agent. The District maintains accounts for student body activities at each school site.

G. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures.

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

H. ENCUMBRANCES

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

I. DEPOSITS AND INVESTMENTS

The District is authorized to maintain cash in banks and revolving funds that are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

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 County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

PIERCE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Investments 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.

J. PREPAID EXPENSES/EXPENDITURES

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to recognize expenditures when incurred. Prepaid expenses include the costs of issuance associated with bond issues, which are amortized over the life of the bond obligation. Reported expenses are equally offset by a net position reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

K. INVENTORY

Inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

The Cafeteria Fund records supplies expense which includes a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus commodities.

L. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives as follows: buildings and improvements, 5 to 50 years; furniture and equipment, 2 to 15 years; and vehicles, 8 years.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

M. UNEARNED REVENUE

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

N. COMPENSATED ABSENCES

All vacation pay is accrued when incurred in the government-wide financial statements. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense 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.

O. RESTRICTED NET POSITION

Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then, unrestricted resources as they are needed.

P. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Trustees. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Trustees is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

PIERCE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

Q. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX

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

The County of Colusa is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. Taxes are levied for each fiscal year on taxable real and personal property in the county. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes become delinquent after December 10 and April 10, respectively.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

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

R. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 consist of the following:

	Governmental Activities	Fiduciary Activities
Cash in County Treasury	\$ 6,113,433	\$ -
Cash on hand and in banks	-	177,229
Cash in revolving fund	10,000	-
	\$ 6,123,433	\$ 177,229

A. Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation.

B. Cash in Revolving Funds

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

C. County Pool Investments

County pool investments consist of District cash held by the Colusa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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 weighted average maturity of the pool is 232 days. The pool is rated AAA by Standard and Poor's.

Interest Rate Risk. California Government Code Section 53601 limits the District's investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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. Presented in the next page is the actual rating as of the year-end for each investment type.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services 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. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as are imbursement. All other interfund transactions are treated as transfers.

As of June 30, 2014, the interfund balances were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 103,351	\$ 1,235
Cafeteria Fund	1,235	86,658
Capital Facilities Fund	-	16,693
Total	\$ 104,586	\$ 104,586

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2013-2014 fiscal year is as follows:

Transfer from Capital Facilities Fund to the General Fund of developer fees revenues.	<u>\$ 16,693</u>
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PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions and Transfers	Deductions and Transfers	Balance June 30, 2014
Non-depreciable assets:				
Land	\$ 89,042	\$ -	\$ -	\$ 89,042
Work in progress	-	-	-	-
	<u>89,042</u>	<u>-</u>	<u>-</u>	<u>89,042</u>
Depreciable assets:				
Sites and improvements	638,655	52,632	-	691,287
Building and improvements	18,131,794	293,894	-	18,425,688
Furniture and equipment	1,402,599	150,402	-	1,553,001
	<u>20,173,048</u>	<u>496,928</u>	<u>-</u>	<u>20,669,976</u>
Totals, at cost	<u>20,262,090</u>	<u>496,928</u>	<u>-</u>	<u>20,759,018</u>
Accumulated depreciation:				
Sites and improvements	(427,868)	(25,871)	-	(453,739)
Building and improvements	(8,065,288)	(553,613)	-	(8,618,901)
Furniture and equipment	(1,063,384)	(85,017)	-	(1,148,401)
	<u>(9,556,540)</u>	<u>(664,501)</u>	<u>-</u>	<u>(10,221,041)</u>
Depreciable assets, net	<u>10,616,508</u>	<u>(167,573)</u>	<u>-</u>	<u>10,448,935</u>
Capital assets, net	<u>\$ 10,705,550</u>	<u>\$ (167,573)</u>	<u>\$ -</u>	<u>\$ 10,537,977</u>

The entire amount of depreciation expense was unallocated.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2014, is shown below:

	Balance			Balance	Due
	July 1, 2013	Additions	Deductions	June 30, 2014	Within
					One Year
General Obligation Bonds	\$ 4,226,041	\$ -	\$ 365,000	\$ 3,861,041	\$ 385,000
Accreted Interest	1,426,286	177,306	-	1,603,592	-
Compensated Absences	26,296	4,852	-	31,148	-
Early Retirement Incentive	52,259	-	52,259	-	-
Supplemental Employee Retirement Plan*	161,760	40,440	-	202,200	56,515
	<u>\$ 5,892,642</u>	<u>\$ 222,598</u>	<u>\$ 417,259</u>	<u>\$ 5,697,981</u>	<u>\$ 441,515</u>
Deferred Loss On Refunding	<u>\$ (42,038)</u>	<u>\$ -</u>	<u>\$ (5,912)</u>	<u>\$ (36,126)</u>	<u>\$ (5,912)</u>

The Bond Interest and Redemption Fund makes payments for the general obligation bonds. 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

In 2002, the District issued \$1,736,041 of capital appreciation bonds with interest rates between 5.30% and 5.64% that mature in 2028. In September 2011, the District issued \$2,850,000 of refunding bonds to retire 2002 current interest bonds originally issued in the amount of \$4,260,000. The refunding bonds bear interest between 0.65% and 3.00% and are due in annual installments ranging from \$360,000 to \$470,000 through August 2018.

Description	Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Accreted	Redeemed	Outstanding June 30, 2014
						Interest Current Year	Current Year	
Capital Appreciation	2002	5.30 - 5.64%	8/1/2027	\$ 1,736,041	\$ 3,162,327	\$ 177,306	\$ -	\$ 3,339,633
Current Interest	2011	0.65 - 3.00%	8/1/2018	2,850,000	2,490,000	-	365,000	2,125,000
				<u>\$ 4,586,041</u>	<u>\$ 5,652,327</u>	<u>\$ 177,306</u>	<u>\$ 365,000</u>	<u>\$ 5,464,633</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

General Obligation Bonds – (continued)

The annual requirements to pay off the general obligation bonds are as follows:

Year Ended	Principal	Interest	Total
<u>June 30,</u>	<u> </u>	<u> </u>	<u> </u>
2015	\$ 385,000	\$ 33,860	\$ 418,860
2016	400,000	29,435	429,435
2017	425,000	23,323	448,323
2018	445,000	15,260	460,260
2019	470,000	5,405	475,405
2020-2024	825,094	1,404,906	2,230,000
2025-2029	910,947	2,349,053	3,260,000
Totals	<u>\$ 3,861,041</u>	<u>\$ 3,861,242</u>	<u>\$ 7,722,283</u>

Supplemental Employee Retirement Program

During fiscal year 2011-12 the District adopted an additional early retirement incentive program. Beginning September 1, 2012 and subject to a lifetime cap of \$40,440, the District will pay up to \$8,088 annually toward a District provided health and welfare benefit plan on behalf of retirees who meet certain criteria. The retiree must be at least 55 years of age and have 5 years of consecutive service within the District immediately preceding his/her retirement. Payment towards the District provided health and welfare benefit package selected by the retiree shall continue until the retiree's death or until the District has paid the total capped amount of \$40,440, whichever comes first. In 2013-14, two new retirees elected to participate in the retirement incentive program. The future payments total \$202,200 for years 2015-2019. Future estimated payments at June 30, 2014 are as follows:

<u>Position</u>	<u>Age</u>	<u>Service Credit</u>	<u>Current Salary</u>	<u>Current Benefits</u>	<u>Current Salary & Benefits</u>	<u>Replacement Employee Salary Cost</u>	<u>Replacement Employee Benefit Cost</u>	<u>Retirement Cost</u>	<u>Net Savings</u>
Teacher	61	21	\$ 375,705	\$ 43,769	\$ 419,474	\$ 264,805	\$ 30,850	\$ 40,440	\$ 83,379
Teacher	60	34	388,210	45,226	433,436	264,805	30,850	40,440	97,341
Totals			<u>\$ 763,915</u>	<u>\$ 88,995</u>	<u>\$ 852,910</u>	<u>\$ 529,610</u>	<u>\$ 61,700</u>	<u>\$ 80,880</u>	<u>\$ 180,720</u>

Year Ended	Principal
<u>June 30,</u>	<u> </u>
2015	\$ 56,616
2016	56,616
2017	56,616
2018	16,176
2019	<u>16,176</u>
Totals	<u>\$ 202,200</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

6. FUND BALANCES

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Cafeteria Fund	Non-Major Funds	Total
Nonspendable:						
Prepaid Expenses	\$ 14,632	\$ -	\$ -	\$ 200	-	\$ 14,832
Revolving Cash	10,000	-	-	-	-	10,000
Total Nonspendable	<u>24,632</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>24,832</u>
Restricted:						
Child Nutrition: School Programs	-	-	-	184,278	-	184,278
California Clean Energy Jobs Act	115,457	-	-	-	-	115,457
Lottery: Instructional Materials	75,088	-	-	-	-	75,088
Common Core State Standards Implementa	66,671	-	-	-	-	66,671
Other Restricted Local	51,766	-	-	-	-	51,766
Total Restricted	<u>308,982</u>	<u>-</u>	<u>-</u>	<u>184,278</u>	<u>-</u>	<u>493,260</u>
Assigned:						
Bond fund balance	-	-	821,168	-	-	821,168
Special Reserve Fund for Other than Capital Outlay Projects	-	-	-	-	8,823	8,823
Facilities Needs	-	1,094,372	-	-	-	1,094,372
Bus Replacement Reserve	1,025	-	-	-	-	1,025
Total Assigned	<u>1,025</u>	<u>1,094,372</u>	<u>821,168</u>	<u>-</u>	<u>8,823</u>	<u>1,925,388</u>
Unassigned:						
Reserve for Economic Uncertainties	4,497,494	-	-	-	-	4,497,494
Total Unassigned	<u>4,497,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,497,494</u>
Total Fund Balances	<u>\$ 4,832,133</u>	<u>\$ 1,094,372</u>	<u>\$ 821,168</u>	<u>\$ 184,478</u>	<u>\$ 8,823</u>	<u>\$ 6,940,974</u>

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 (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

A. State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$412,131, \$403,924, and \$382,735, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (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 Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% 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 2012-13 was 11.442%.

The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$173,614, \$162,314, and \$156,858, respectively, and equal 100% of the required contributions for each year.

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.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

8. JOINT VENTURES

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 joint powers authorities (JPAs):

	Tri-Counties SIG	NVSIG	SELF
	<u>June 30, 2013</u>	<u>June 30, 2013</u>	<u>June 30, 2013</u>
Total Assets	<u>\$ 23,516,814</u>	<u>\$ 3,056,858</u>	<u>\$ 166,243,000</u>
Total Liabilities	10,830,643	1,816,387	129,963,000
Net Position	<u>12,686,171</u>	<u>1,240,471</u>	<u>36,280,000</u>
Total Liabilities and Net Position	<u>\$ 23,516,814</u>	<u>\$ 3,056,858</u>	<u>\$ 166,243,000</u>
Revenues	\$ 59,239,629	\$ 9,592,647	\$ 11,589,000
Expenditures	<u>61,063,082</u>	<u>9,355,272</u>	<u>14,165,000</u>
Change in Net Position	<u>\$ (1,823,453)</u>	<u>\$ 237,375</u>	<u>\$ (2,576,000)</u>

9. COMMITMENTS AND CONTINGENCIES

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

10. SUBSEQUENT EVENTS

The District's management evaluated its June 30, 2014 financial statements for subsequent events through November 12, 2014, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PIERCE JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Revenue limit sources:				
State apportionment	\$ 5,430,875	\$ 6,661,466	\$ 6,661,466	\$ -
Local sources	2,443,778	3,002,485	3,002,485	-
Total revenue limit	<u>7,874,653</u>	<u>9,663,951</u>	<u>9,663,951</u>	<u>-</u>
Federal revenue	323,298	648,620	552,043	(96,577)
Other state revenues	2,157,919	1,155,275	1,155,275	-
Other local revenues	<u>312,166</u>	<u>460,366</u>	<u>434,708</u>	<u>(25,658)</u>
Total revenues	<u>10,668,036</u>	<u>11,928,212</u>	<u>11,805,977</u>	<u>(122,235)</u>
EXPENDITURES				
Certificated salaries	4,868,836	5,423,866	5,118,054	305,812
Classified salaries	1,289,843	1,410,134	1,383,505	26,629
Employee benefits	1,731,239	1,860,182	1,762,003	98,179
Books and supplies	639,517	1,420,798	893,531	527,267
Services and other operating expenditures	1,193,713	1,481,772	1,003,055	478,717
Capital outlay	41,487	220,229	203,034	17,195
Other outgo	<u>604,590</u>	<u>535,690</u>	<u>437,342</u>	<u>98,348</u>
Total expenditures	<u>10,369,225</u>	<u>12,352,671</u>	<u>10,800,524</u>	<u>1,552,147</u>
Excess (deficiency) of revenues over expenditures	298,811	(424,459)	1,005,453	1,429,912
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	412,440	16,693	395,747
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>412,440</u>	<u>16,693</u>	<u>(395,747)</u>
Net change in fund balances	298,811	(12,019)	1,022,146	1,034,165
Fund balances, July 1, 2013	<u>3,809,987</u>	<u>3,809,987</u>	<u>3,809,987</u>	<u>-</u>
Fund balances, June 30, 2014	<u>\$ 4,108,798</u>	<u>\$ 3,797,968</u>	<u>\$ 4,832,133</u>	<u>\$ 1,034,165</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
CAFETERIA FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal revenue	\$ 452,724	\$ 509,959	\$ 509,906	\$ (53)
Other state revenues	37,089	39,942	39,939	(3)
Other local revenues	120,828	128,041	127,955	(86)
Total revenues	<u>610,641</u>	<u>677,942</u>	<u>677,800</u>	<u>(142)</u>
EXPENDITURES				
Classified salaries	206,349	245,985	244,793	1,192
Employee benefits	82,831	90,454	85,702	4,752
Books and supplies	269,867	305,053	284,195	20,858
Services and other operating expenditures	20,804	20,804	11,853	8,951
Other outgo	30,790	35,167	33,269	1,898
Total expenditures	<u>610,641</u>	<u>697,463</u>	<u>659,812</u>	<u>37,651</u>
Excess (deficiency) of revenues over expenditures	-	(19,521)	17,988	37,509
Fund balances, July 1, 2013	<u>166,490</u>	<u>166,490</u>	<u>166,490</u>	<u>-</u>
Fund balances, June 30, 2014	<u>\$ 166,490</u>	<u>\$ 146,969</u>	<u>\$ 184,478</u>	<u>\$ 37,509</u>

SUPPLEMENTARY INFORMATION

PIERCE JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Student Body Funds				
Assets:				
Cash on hand and in banks				
Arbuckle Elementary	\$ 13,113	\$ 6,863	\$ 7,900	\$ 12,076
Grand Island Elementary	1,288	1,555	1,089	1,754
Lloyd G Johnson Junior High	28,825	75,030	76,009	27,846
Pierce High	94,029	222,035	180,511	135,553
Total Assets	<u>\$ 137,255</u>	<u>\$ 305,483</u>	<u>\$ 265,509</u>	<u>\$ 177,229</u>
Liabilities:				
Due to student groups	\$ 137,255	\$ 305,483	\$ 265,509	\$ 177,229
Total Liabilities	<u>\$ 137,255</u>	<u>\$ 305,483</u>	<u>\$ 265,509</u>	<u>\$ 177,229</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2014

The Pierce Joint Unified School District (the District) is located in Arbuckle, California. The 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.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Nadine High	President	2016
Debbie Charter	Vice-President	2016
Amy Charter	Clerk	2014
Abel Gomez	Member	2016
John Friel	Member	2014

ADMINISTRATION

Carol Geyer
Superintendent

Daena Meras
Chief Business Official

PIERCE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Second Period Report	Revised Second Period Report	Annual Report	Revised Annual Report
Elementary				
TK-Third	433	433	435	435
Fourth through Sixth	315	315	315	315
Seventh through Eighth	218	216	218	217
Special Education	-	-	-	-
Total Elementary	<u>966</u>	<u>964</u>	<u>968</u>	<u>967</u>
Secondary				
Regular classes	379	379	379	379
Continuation education	12	12	11	11
Special Education	-	-	-	-
Total Secondary	<u>391</u>	<u>391</u>	<u>390</u>	<u>390</u>
	<u>1,357</u>	<u>1,355</u>	<u>1,358</u>	<u>1,357</u>
County Supplement				
County Community Schools - High School	-	-	-	-
Special Day Class - High School	2	2	2	2
Opportunity Class - Elementary School	1	1	1	1
Total County Supplement	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Grade Level	Standard Minutes Requirement	Reduced Minutes Requirement	2013-14 Actual Minutes	Instructional Days	Status
Kindergarten	36,000	35,000	36,000	180	In compliance
Grade 1	50,400	49,000	52,765	180	In compliance
Grade 2	50,400	49,000	52,765	180	In compliance
Grade 3	50,400	49,000	52,765	180	In compliance
Grade 4	54,000	52,500	55,645	180	In compliance
Grade 5	54,000	52,500	55,645	180	In compliance
Grade 6	54,000	52,500	58,357	180	In compliance
Grade 7	54,000	52,500	62,590	180	In compliance
Grade 8	54,000	52,500	62,590	180	In compliance
Grade 9	64,800	63,000	65,237	180	In compliance
Grade 10	64,800	63,000	65,237	180	In compliance
Grade 11	64,800	63,000	65,237	180	In compliance
Grade 12	64,800	63,000	65,237	180	In compliance

PIERCE JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR FISCAL YEAR ENDED JUNE 30, 2014

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
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There are currently no charter schools in the District.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT TO
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

There were no adjustments made to any funds of the District.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
84.010	NCLB: Title I, Basic Grants Low	14329	269,254
84.010A	NCLB: Title I, Part A, Program Improvement LEA Corrective Action	14956	162,173
84.330B	NCLB Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	1,530
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	40,812
84.365	NCLB: Title III Limited English Proficiency (LEP)	14346	41,247
84.048	Carl D. Perkins Career & Technical Education	14894	9,188
84.287	NCLB: Title IV, Part B, 21st Century Community Learning-ASSETS	14535	<u>27,839</u>
	Total U.S. Department of Education		<u>552,043</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.555	Child Nutrition: School Programs	13391	<u>509,906</u>
	Total Federal Programs		<u>\$ 1,061,949</u>

PIERCE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Adopted Budget 2014/2015</u>	<u>Actuals 2013/2014</u>	<u>Actuals 2012/2013</u>	<u>Actuals 2011/2012</u>
General Fund and Special Reserve Fund for Other Than Capital Outlay				
Revenues and Other Financial Sources	\$ 12,222,068	\$ 11,822,670	\$ 10,478,551	\$ 10,578,285
Expenditures	12,213,806	10,800,524	10,306,527	10,116,198
Total Outgo	12,213,806	10,800,524	10,306,527	10,116,198
Change in Fund Balance	8,262	1,022,146	172,024	462,087
Ending Fund Balance	<u>\$ 4,840,395</u>	<u>\$ 4,832,133</u>	<u>\$ 3,809,987</u>	<u>\$ 3,637,963</u>
Available Reserves	<u>\$ 4,530,388</u>	<u>\$ 4,497,494</u>	<u>\$ 3,507,496</u>	<u>\$ 3,316,725</u>
Available Reserves as a Percentage of Total Outgo	37.1%	41.6%	34.0%	32.8%
Total Long-Term Debt	\$ 5,256,466	\$ 5,697,981	\$ 5,892,642	\$ 5,890,542
Average Daily Attendance at P-2	1,367	1,355	1,321	1,284

The general fund and special reserve fund for other than capital outlay fund balance has increased by \$1,656,257 over the past three years. The fiscal year 2014-15 budget projects an increase of \$8,262. For a District this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District has incurred an operating surplus in each of the past three fiscal years.

Total long-term liabilities have decreased by \$192,561 over the past two years.

Average Daily Attendance (ADA) has increased by 71 over the past two years and attendance is budgeted to increase for the fiscal year 2014-2015.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

1. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

2. 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 46201 through 46206. Districts must maintain their instructional minutes in accordance with the State's standard requirement as required by Education Code Section 46201(b).

The District participated in the Longer Day incentives and met or exceeded its target funding.

3. Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

4. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports to the audited financial statements.

5. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Circular A-133 and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements.

6. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Board of Trustees
Pierce Joint Unified School District
Arbuckle, California

We have audited the compliance of Pierce Joint Unified School District (the "District") with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Education Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

Management's Responsibility

Compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

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 of California's *Standards and Procedures for Audits of California K-12 Local Education Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed 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.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	No, see below
Independent Study	23	No, see below
Continuation Education	10	No, see below
Instructional Time for School Districts	10	Yes
Instructional Materials		
General Requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Yes
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
After Schools Education and Safety Program		
General requirements	4	Yes
After School	5	Yes
Before School	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance		
for Charter Schools	8	Not applicable
Mode of Instruction for Charter Schools	1	Not applicable
Nonclassroom-Based Instruction/Independent Study		
for Charter Schools	15	Not applicable
Determination of Funding for Nonclassroom-Based		
Instruction, for Charter Schools	3	Not applicable
Annual Instructional Minutes - Classroom Based		
for Charter Schools	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

We did not perform any procedures related to Kindergarten Continuance because no students repeated kindergarten in the current year.

We did not perform any procedures related to Independent Study and Continuation Education because these programs were below the materiality threshold for testing.

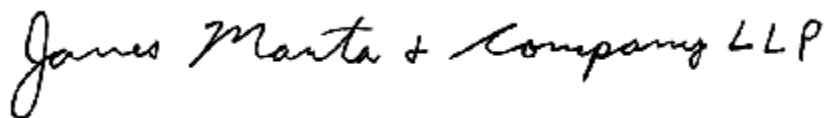
We did not perform any procedures related to California Clean Energy Jobs Act because there were no expenditures in the current year.

We did not perform any procedures related to Juvenile Court Schools and Before School requirements for the After School Education and Safety because the District did not participate in these programs.

We did not perform any procedures related to Contemporaneous Records of Attendance, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, Annual Instructional Minutes-Classroom-Based for Charter Schools, Charter School Facility Grant Program because the District did not have any charter schools.

Opinion on Compliance with State Laws and Regulations

In our opinion, Pierce Joint Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014.



James Marta & Company LLP
 Certified Public Accountants
 Sacramento, California
 November 12, 2014



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pierce Joint Unified School District
Arbuckle, California

We have audited, 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

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

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

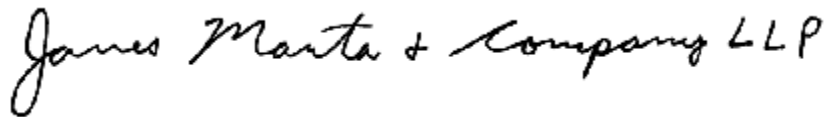
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 12, 2014



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pierce Joint Unified School District
Arbuckle, California

Compliance

We have audited Pierce Joint Unified School District's (the "District") 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 District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance 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, 2014.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

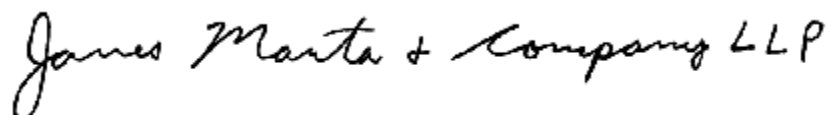
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 12, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 12, 2014

FINDINGS AND RECOMMENDATION

PIERCE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? _____ Yes _____ X No

Identification of major programs:

CFDA Number(s)	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

State Awards

Internal control over state programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None reported

Type of auditor’s report issued on compliance for state programs: Unmodified

PIERCE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

No matters were reported.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section IV – State Award Findings and Questioned Costs

No matters were reported.

PIERCE JOINT UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013-1 30000 – INTERNAL CONTROL

Finding:

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

Recommendation:

If the District determines it cannot fully remediate the control weakness, management should develop alternative procedures which may help mitigate the financial reporting risk for the District of Pierce Joint Unified School District.

Current Status:

Implemented.