

PINER-OLIVET UNION ELEMENTARY
SCHOOL DISTRICT
COUNTY OF SONOMA
SANTA ROSA, CALIFORNIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2010

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2010

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FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Piner-Olivet Union Elementary School District
Santa Rosa, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Piner-Olivet Union Elementary School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Piner-Olivet Union Elementary School District as of June 30, 2010 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 12, 46, 47 and 48 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Piner-Olivet Union Elementary School District's financial statements as a whole. The accompanying statistical schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Piner-Olivet Union Elementary School District. The statistical schedules, the schedule of expenditures of federal awards and the combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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.

Goodell, Porter, Sanchez & Bright, LLP
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 30, 2010

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

The discussion and analysis of Piner-Olivet Union School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

- The decrease in Total Revenue Limit Funding from 2008-2009 to 2009-2010 was \$1,009,794.
- For 2009-10, General Fund revenues were less than General Fund expenditures by \$18,563 (0.19% of total expenditures) as compared with revenues in excess of expenditures for 2008-09 of \$298,475 (2.77% of total expenditures).
- General Fund revenues and other sources were less than expenditures and other uses by \$27,503, ending the year with available reserves of \$441,119, higher than the State recommended reserve level of 3%.
- In complying with GASB 34, fixed assets were valued at historical cost. The total of the District's fixed assets, land, site, buildings, work in progress and equipment, valued on an acquisition cost basis was \$32,084,719 million. After depreciation, the June 30, 2010 book value for fixed assets totaled \$23,045,562 million.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

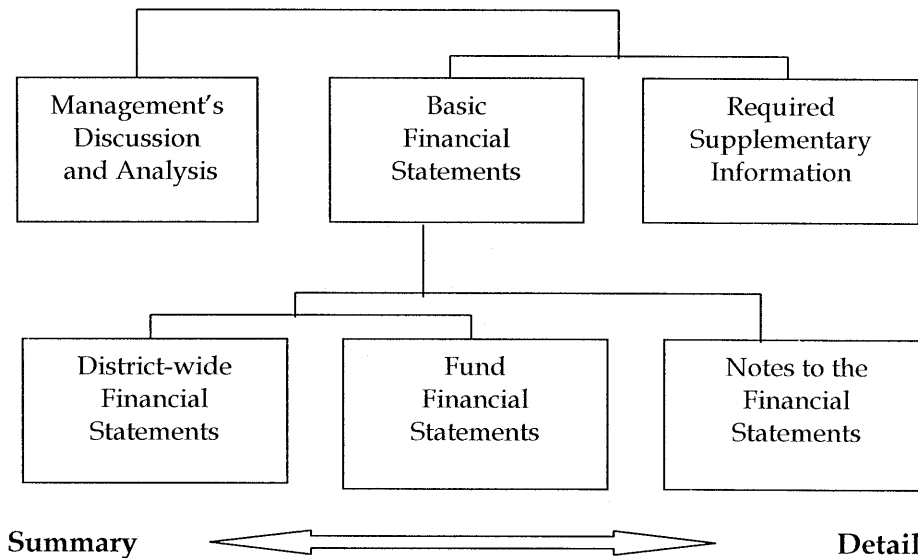
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Piner-Olivet Union School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column. Comparisons of the District's general fund and Northwest Prep Charter fund budgets are included.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2009-10?"

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net assets, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- ◆ Increases or decreases in the net assets of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Piner-Olivet Charter School Fund, Northwest Prep at Piner-Olivet Fund and the Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Fiduciary Funds**

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The District's net assets were \$11.7 million at June 30, 2010. Of this amount, a deficit of \$4.6 million was unrestricted. Investments in capital assets, net of related debt, account for \$15.2 million of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

**(Table 1)
Comparative Statement of Net Assets**

	Governmental Activities	
	2010	2009
Assets		
Cash	\$ 1,367,058	\$ 1,388,788
Receivables	2,001,798	2,115,182
Prepaid Expenditures	68,150	81,780
Capital assets	23,045,562	23,755,715
Total assets	\$ 26,482,568	\$ 27,341,465
Liabilities		
Accounts payable and other current liabilities	\$ 805,778	\$ 853,695
Deferred revenue	34,482	50,907
Long-term liabilities	13,894,095	13,623,614
Total liabilities	\$ 14,734,355	\$ 14,528,216
Net Assets		
Invested in capital assets, net of related debt	\$ 15,202,623	\$ 15,394,252
Restricted	1,135,095	1,749,377
Unrestricted (Deficit)	(4,589,505)	(4,330,380)
Total net assets	\$ 11,748,213	\$ 12,813,249

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net asset position decreased \$1,065,039 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 76% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 18% was spent in the areas of interest on long-term debt and depreciation. (See Figure 2)

(Table 2)
Comparative Statement of Change in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program revenues	\$ 2,015,497	\$ 3,059,501
General revenues		
Taxes levied for general purposes	3,664,476	3,599,020
Taxes levied for debt service	812,335	701,177
Federal and State Aid not restricted to specific purposes	6,117,606	6,882,858
Interest and investment earnings	9,166	57,882
Interagency revenues	321,046	364,907
Miscellaneous	182,120	549,651
Total revenues	13,122,246	15,214,996
Expenses		
Instruction	8,480,228	9,472,138
Instruction related services	1,344,236	1,326,478
Pupil support services	1,030,084	1,000,457
General administration	856,843	975,100
Plant services	972,581	1,093,401
Other	1,503,313	1,518,296
Total expenses	14,187,285	15,385,870
Decrease in net assets	\$ (1,065,039)	\$ (170,874)

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

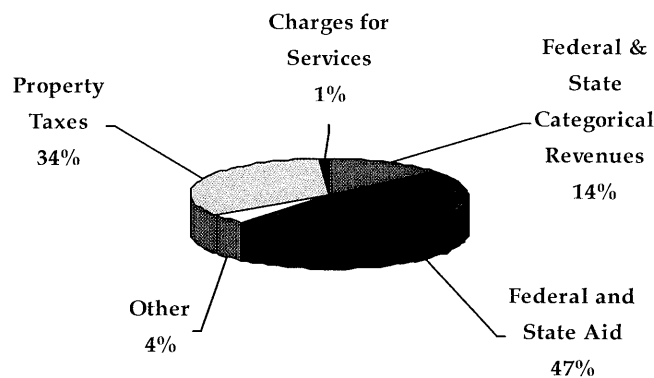
JUNE 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

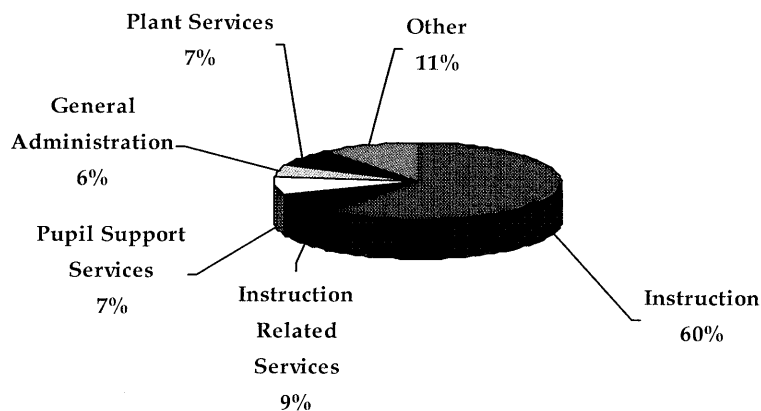
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$14 million. The amount that our local taxpayers financed for these activities through property taxes was \$3.7 million. Federal and State aid not restricted to specific purposes totaled \$6.1 million. State and Federal Categorical revenue totaled over \$2.0 million, and covered 15% of the expenses of the entire District (See Figure 1).

Sources of Revenue for the 2009-10 Fiscal Year
Figure 1



Expenses for the Fiscal Year 2009-10
Figure 2



PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$2.6 million, a decrease of \$75 thousand from the previous fiscal year's combined ending balance of \$2.7 million. The General Fund balance decreased \$28 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$195 thousand.

The District ended the year with a decrease of \$28 thousand to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of 3%. The District's ending reserve was 8.0%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2009-10 fiscal year, the District had invested \$32 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2010 and 2009

	2010	2009	Difference
Land	\$ 2,692,200	\$ 2,692,200	
Site Improvement	1,546,310	1,658,130	\$ (111,820)
Buildings	18,548,461	18,715,953	(167,492)
Machinery & Equipment	258,591	299,300	(40,709)
Work in Progress	0	390,132	(390,132)
Totals	<u>\$ 23,045,562</u>	<u>\$ 23,755,715</u>	<u>\$ (710,153)</u>

The primary decrease in capital assets occurred due to current year depreciation of \$720,223 exceeding current year capital asset additions at Schaefer School of \$11,972. This year's transfer of work in process represents completion of building improvements at the Piner-Olivet Charter School.

Long-Term Debt

At June 30, 2010, the District had \$13.9 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2010 and 2009

	2010	2009
General Obligations Bonds	\$ 12,739,059	\$ 12,770,962
General Obligation Bond Premium	160,368	192,441
Other Long-Term Debt	107,283	132,167
Early Retirement Incentives	711,547	414,807
Other Postemployment Benefits	85,517	50,815
Compensated Absences	90,321	62,422
Totals	<u>\$ 13,894,095</u>	<u>\$ 13,623,614</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturn is a major factor affecting the District's future. The financial well being of the District is tied in large measure to the state funding formula. Furthermore, the State's current year budget does not fully address its budget problem, so it is anticipated that further reductions in funding may be forthcoming.

The latest enrollment projections indicate a decline in enrollment for the next school year. Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California.

These two factors indicate a decline in the District's revenue, along with related budget reductions. The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

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 about this report or need additional financial information, please contact Becky Leffew, Director of Business Services, Piner-Olivet Union School District, at 707-522-3008.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash (Note 2)	\$ 1,367,058
Accounts Receivable (Note 4)	2,001,797
Prepaid Expenditures (Note 1H)	68,151
Capital Assets, Net of Depreciation (Note 5)	<u>23,045,562</u>
 Total Assets	 <u>\$ 26,482,568</u>
 <u>LIABILITIES</u>	
Accounts Payable and Other Current Liabilities	\$ 805,778
Deferred Revenue (Note 1H)	34,482
Long-term Liabilities (Note 10):	
Due Within One Year	\$ 891,375
Due After One Year	<u>13,002,720</u>
Total Long-term Liabilities	<u>13,894,095</u>
 Total Liabilities	 <u>\$ 14,734,355</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 15,202,623
Restricted For:	
Capital Projects	20,077
Debt Service	776,893
Education Programs	338,125
Unrestricted (Deficit)	<u>(4,589,505)</u>
 Total Net Assets	 <u>\$ 11,748,213</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Governmental Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	\$ 8,480,228	\$ 9,962	\$ 1,269,644	\$ (7,200,622)
Instruction-related services:				
Supervision of instruction	334,414	28,808	51,115	(254,491)
Instructional library, media and technology	3,570		(785)	(4,355)
School site administration	1,006,252			(1,006,252)
Pupil Services:				
Home-to school transportation	186,743			(186,743)
Food services	503,227	118,266	367,393	(17,568)
All other pupil services	340,114	2,418	90,621	(247,075)
General administration:				
Data processing	6,490			(6,490)
All other general administration	850,353	1,975	62,863	(785,515)
Plant services	972,581		4,589	(967,992)
Interest on long-term debt	784,717			(784,717)
Other Outgo	(1,627)	2,101	6,527	10,255
Depreciation (unallocated)	720,223			(720,223)
Total Governmental Activities	\$ 14,187,285	\$ 163,530	\$ 1,851,967	(12,171,788)
General Revenues:				
Property Taxes Levied For:				
General Purposes				3,664,479
Taxes Levied for Debt Service				812,335
Federal and State Aid not Restricted to Specific Purposes				6,117,606
Interest and Investment Earnings				9,166
Interagency Revenues				321,046
Miscellaneous				182,120
Total General Revenue				<u>11,106,752</u>
Change in Net Assets (Decrease)				(1,065,036)
Net Assets Beginning				<u>12,813,249</u>
Net Assets Ending				<u>\$ 11,748,213</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Piner- Olivet Charter School	Northwest Prep at Piner-Olivet	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash in County Treasury (Note 2)	\$ 274,617	\$ 73,254	\$ 56,296	\$ 776,893	\$ 175,016	\$ 1,356,076
Cash on Hand and in Banks (Note 2)					5,232	5,232
Cash in Revolving Funds (Note 2)	2,000	2,500	1,250			5,750
Accounts Receivable (Note 4)	1,619,217	219,308	159,136		4,136	2,001,797
Due From Other Funds (Note 6)	7,325	48,137	45,014		258,940	359,416
Total Assets	\$ 1,903,159	\$ 343,199	\$ 261,696	\$ 776,893	\$ 443,324	\$ 3,728,271
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts Payable	\$ 346,714	\$ 61,188	\$ 21,707		\$ 115,961	\$ 545,570
Deferred Revenue (Note 1H)	32,642	724	1,116			34,482
Due to Other Funds (Note 6)	102,091		256,822		503	359,416
Other Liabilities	200,000					200,000
Total Liabilities	681,447	61,912	279,645		116,464	1,139,468
Fund Balances (Note 1H):						
Reserved	2,000	2,500	1,250	\$ 776,893		782,643
Legally Restricted Balances	276,864	61,261				338,125
Unreserved:						
Designated	441,191		16,000			457,191
Undesignated (Deficit)	501,657	217,526	(35,199)		326,860	1,010,844
Total Fund Balances (Deficit)	1,221,712	281,287	(17,949)	776,893	326,860	2,588,803
Total Liabilities and Fund Balances	\$ 1,903,159	\$ 343,199	\$ 261,696	\$ 776,893	\$ 443,324	\$ 3,728,271

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balance – governmental funds \$ 2,588,803

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.	\$32,084,719 <u>(9,039,157)</u>	23,045,562
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Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:		68,151
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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. The additional liability for unamatured interest owing at the end of the period was:		(60,207)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds payable	\$12,899,427	
Net OPEB obligation	85,517	
Compensated absences	90,321	
Other general long-term debt	<u>818,830</u>	
Total		(13,894,095)

Total net assets-governmental activities (minor differences may be due to rounding)		<u>\$ 11,748,214</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Piner- Olivet Charter School	Northwest Prep at Piner-Olivet	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
REVENUES						
Revenue Limit Sources:						
State Apportionments	\$ 3,416,956	\$ 582,676	\$ 442,069			\$ 4,441,701
Local Sources	3,005,838	403,604	255,034			3,664,476
Total Revenue Limit	6,422,794	986,280	697,103			8,106,177
Federal Revenue	654,257	79,327	56,725		\$ 339,873	1,130,182
Other State Revenue	1,640,483	143,123	118,115	\$ 8,203	30,799	1,940,723
Other Local Revenue	967,031	36,070	8,309	807,235	126,548	1,945,193
Total Revenues	9,684,565	1,244,800	880,252	815,438	497,220	13,122,275
EXPENDITURES						
Certificated Salaries	5,179,946	651,595	444,886			6,276,427
Classified Salaries	1,319,920	141,844	69,258		93,144	1,624,166
Employee Benefits	1,669,961	180,595	126,506		29,774	2,006,836
Books and Supplies	292,090	58,005	16,247		377,056	743,398
Services and Other						
Operating Expenditures	1,132,321	206,125	192,222		141,231	1,671,899
Capital Outlay	5,457				6,515	11,972
Debt Service:						
Principal Retirement				580,000	24,885	604,885
Interest and Fiscal Charges			29	150,161	3,780	153,970
Other Outgo	103,433					103,433
Total Expenditures	9,703,128	1,238,164	849,148	730,161	676,385	13,196,986
Excess of Revenues Over (Under) Expenditures	(18,563)	6,636	31,104	85,277	(179,165)	(74,711)
Other Financing Sources (Uses):						
Operating Transfers In (Note 6)					308,940	308,940
Operating Transfers Out (Note 6)	(308,940)					(308,940)
Other	300,000				(300,000)	0
Total Other Financing Sources (Uses)	(8,940)	0	0	0	8,940	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(27,503)	6,636	31,104	85,277	(170,225)	(74,711)
Fund Balances (Deficit) - July 1, 2009	1,249,215	274,651	(49,053)	691,616	497,085	2,663,514
Fund Balances (Deficit) - June 30, 2010	\$ 1,221,712	\$ 281,287	\$ (17,949)	\$ 776,893	\$ 326,860	\$ 2,588,803

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - Total governmental funds \$ (74,711)

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

Capital outlay: In governmental funds, the cost 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:	\$ 11,972	
Depreciation expense:	<u>720,223</u>	
Net		(708,251)

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:

604,884

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

(13,630)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the Proceeds from disposal of capital assets and the resulting gain or loss is:

(1,902)

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 owing from the prior period, was:

(544,158)

Compensated absences: In governmental funds, compensated absences 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:

(27,899)

Postemployment benefits other than pension (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB and actual employer contributions was:

(34,702)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2010

Other liabilities not normally liquidated with current financial resources: In government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time. This year, expenses incurred for such obligations were:

(296,740)

Amortization of debt issue premium or discount: In governmental funds, if debt is used at a premium or at a discount, the premium or discount is recognized as an Other Finding Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:

32,073

Total change (decrease) in net assets-governmental activities

\$(1,065,036)

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash in Hand and in Bank (Note 2)	\$ 3,973
Total Assets	<u>3,973</u>
<u>LIABILITIES</u>	
Liabilities:	
Due to Student Groups	<u>3,973</u>
Total Liabilities	<u>3,973</u>
Total Net Assets	<u><u>\$ 0</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to Accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

A. Reporting Entity

The District includes all funds that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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. 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.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

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.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded 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.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

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 specific 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.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures 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:

MAJOR GOVERNMENTAL FUNDS:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Piner-Olivet Charter School Fund is used to account for the revenue and expenditures of Piner-Olivet Charter School.

Northwest Prep at Piner-Olivet Fund is used to account for the revenues and expenditures of Northwest Prep at Piner-Olivet Charter School.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintained three non-major special revenue funds:

1. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
2. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
3. Special Reserve Fund for Other Than Capital Outlay Projects is used to set aside unrestricted funds for deferred maintenance.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains one capital projects fund:

1. Capital Facilities Fund is used to account for fees collected by developers under SB201.

FIDUCIARY FUNDS:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund, for the Student Body account.

The District maintains a student body fund, which is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for the student body fund represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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 Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised are presented for the General Fund and Major Special Revenue Funds as required supplementary information in the financial statements.

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.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Encumbrances

Encumbrance accounts are budgetary accounts used to prevent over-spending of an appropriation. The District relies on the use of budget accounts to prevent over-spending and does not use encumbrance accounting.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the period it was purchased, although in the government-wide statements, debt issue costs are reported as prepaid expenses and amortized over the life of the debt.

3. 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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

4. Deferred Revenue

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

9. Fund Balance Reserves and Designations

The District's fund balances at June 30, 2010 consisted of the following:

	General Fund	Piner-Olivet Charter School Fund	Northwest Prep at Piner-Olivet Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Reserved For:						
Revolving Fund	\$ 2,000	\$ 2,500	\$ 1,250			\$ 5,750
Debt Service				\$ 776,893		776,893
Legally Restricted Balances	276,864	61,261				338,125
Unreserved:						
Designated for:						
Economic Uncertainties	296,657		16,000			312,657
Other Program Carryovers	144,534					144,534
Undesignated, Reported in:						
General Fund	501,657					501,657
Special Revenue Funds (Deficit)		217,526	(35,199)		\$ 306,783	489,110
Capital Projects Funds					20,077	20,077
Total Fund Balances (Deficit)	\$ 1,221,712	\$ 281,287	\$ (17,949)	\$ 776,893	\$ 326,860	\$ 2,588,803

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

9. Fund Balance Reserves and Designations (Concluded)

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund reflects the portion of fund balance represented by revolving fund cash. This amount is not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

10. Revenue Limit/Property Tax

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

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

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

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

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

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

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. New GASB Accounting Standard to be Adopted in the Future

In March, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in an effort to improve the consistency in reporting fund balance components, enhance fund balance presentation, improve the usefulness of fund balance information, and clarify the definitions of the governmental fund types. The classification requirements in GASB 54 should improve financial reporting by providing fund balance categories and classifications that are more easily understood however, adoption of the new standard is not expected to have a material effect on the District's financial position, results of operations or cash flows. The requirements of GASB 54 are effective for financial statements for period beginning after June 15, 2010 making the new standard effective for the year ending June 30, 2011.

NOTE 2 - CASH AND INVESTMENTS

A. Cash

The District had the following cash at June 30, 2010:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash on Hand and in Bank	\$ 9,205	\$ 9,205	Not Rated
Cash in Revolving Fund	5,750	5,750	Not Rated
Cash in County Treasury	1,360,274	1,356,076	Not Rated
Total Cash	<u>\$ 1,375,229</u>	<u>\$ 1,371,031</u>	

Cash on Hand, In Banks and in Revolving Fund

Cash balances on hand, in banks, and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2010, the carrying amount of the District's accounts was \$14,955.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled \$1,356,076 as of June 30, 2010. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$1,360,274. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

A. Cash (Concluded)

Cash in County Treasury (Concluded)

The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

B. Summary of Cash

The following is a summary of cash at June 30, 2010:

<u>Governmental Activities</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
<u>\$1,367,058</u>	<u>\$3,973</u>	<u>\$1,371,031</u>

C. Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy required that at least 30% of the District's investment portfolio mature in less than one year. Additional limitations are that the average maturity of the investment portfolio will not exceed three years, and no investment will have a maturity of more than five years from its date of purchase. At June 30, 2010, the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
County Treasury	<u>\$1,360,274</u>	<u>\$937,637</u>	<u>\$394,479</u>	<u>\$28,158</u>

NOTE 3 - DEFICIT FUND BALANCE

The District ended fiscal year 2009-2010 with an undesignated fund balance deficit in the Northwest Prep at Piner-Olivet Fund of \$35,199. The undesignated fund balance deficit at June 30, 2009 was \$50,303. The deficit is expected to be eliminated in future years with operating surpluses, which are expected due to increasing enrollments.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 consist of the following:

	General Fund	Piner-Olivet Charter School Fund	Northwest Prep at Piner-Olivet Fund	All Other Governmental Funds	Total
Federal Government					
Categorical Aid Programs	\$ 303,009	\$ 21,883	\$ 15,672		\$ 340,564
State Government					
Revenue Limit	838,353	155,099	136,154		1,129,606
Categorical Aid Programs	145,040				145,040
Lottery	82,444	12,469	7,310		102,223
Other	35,504				35,504
Total State Government	1,101,341	167,568	143,464		1,412,373
Local Government	195,951	29,857		\$ 4,136	229,944
Miscellaneous	18,916				18,916
Total Accounts Receivable	\$ 1,619,217	\$ 219,308	\$ 159,136	\$ 4,136	\$ 2,001,797

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010, is shown below:

	Balance July 01, 2009	Additions	Deductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 2,692,200			\$ 2,692,200
Work in progress	390,132		\$ 390,132	
Total capital assets, not being depreciated	3,082,332		390,132	2,692,200
Capital assets being depreciated:				
Buildings	26,037,647	\$ 396,647		26,434,294
Improvements of sites	2,236,405			2,236,405
Equipment	816,257	5,457	99,894	721,820
Total capital assets, being depreciated	29,090,309	402,104	99,894	29,392,519
Less accumulated depreciation for:				
Buildings	7,321,694	564,139		7,885,833
Improvements of sites	578,275	111,820		690,095
Equipment	516,957	44,264	97,992	463,229
Total accumulated depreciation	8,416,926	720,223	97,992	9,039,157
Total capital assets, being depreciated, net	20,673,383	(318,119)	1,902	20,353,362
Governmental activities capital assets, net	\$ 23,755,715	\$ (318,119)	\$ 392,034	\$ 23,045,562

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$720,223</u>
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NOTE 6 - 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/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2009-2010 fiscal year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 308,940
Non-Major Governmental Funds:		
Cafeteria Fund	\$ 8,940	
Special Reserve Fund for Other Than Capital Outlay Projects	<u>300,000</u>	
Total	<u>\$ 308,940</u>	<u>\$ 308,940</u>

Transfer \$8,940 from the General Fund to the Cafeteria Fund to cover costs in excess of revenue.

Transfer \$300,000 from the General Fund to the Special Reserve Fund for Other Than Capital Outlay Projects to apply to reserves.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 6 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2010 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 7,325	\$ 102,091
Piner-Olivet Charter Fund	48,137	
Northwest Prep at Piner-Olivet Fund	45,014	256,822
Non-Major Governmental Funds:		
Cafeteria Fund	8,940	460
Deferred Maintenance Fund		43
Special Reserve Fund for Other Than Capital Outlay Projects	250,000	
Totals	<u>\$ 359,416</u>	<u>\$ 359,416</u>

NOTE 7 - GENERAL OBLIGATION BONDS

During fiscal year 1995-96, the District sold \$4,625,000 of current interest bonds and \$990,764 of capital appreciation bonds of a \$10,000,000 issue (authorized at an election held in the District on June 6, 1995). The proceeds of the bonds were used for modernization, site acquisition and construction.

During fiscal year 1997-98, the District sold \$4,382,647 of capital appreciation bonds of a \$10,000,000 issue (authorized at an election held in the District on June 6, 1995). The proceeds of the bonds were used for modernization, site acquisition and construction.

On October 1, 2003 the District sold \$4,370,000 of General Obligation Refunding Bonds in order to refund the current interest bonds of the District's outstanding General Obligation Bonds, Series 1995. The bonds were sold at a premium of \$384,879.

As described above, the District has defeased various General Obligation Bonds issues creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advance refunding met the requirements of an in-substance debt defeasance and therefore removed as a liability from the District's government-wide financial statements.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

The outstanding general obligation bonded debt of the Piner-Olivet Union Elementary School District at June 30, 2010, is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 01, 2009	Current Year Accreted Interest	Redeemed Current Year	Outstanding June 30, 2010
1995	4.40-6.15	2004-2021	\$ 5,615,764	\$ 2,351,832	\$ 146,862		\$ 2,498,694
1997	4.40-5.65	2004-2023	4,382,647	7,214,130	401,235	\$ 265,000	7,350,365
2003	2.00-5.00	2015-2016	4,370,000	3,205,000		315,000	2,890,000
Totals			<u>\$ 14,368,411</u>	<u>\$ 12,770,962</u>	<u>\$ 548,097</u>	<u>\$ 580,000</u>	<u>\$ 12,739,059</u>

A. Current Interest Bonds

The annual requirements to amortize the 2003 refunding general obligation bonds payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30	Principal	Interest	Total
2011	\$ 355,000	\$ 128,229	\$ 483,229
2012	400,000	108,417	508,417
2013	450,000	86,125	536,125
2014	500,000	61,333	561,333
2015	560,000	33,583	593,583
2016	625,000	2,604	627,604
Totals	<u>\$ 2,890,000</u>	<u>\$ 420,291</u>	<u>\$ 3,310,291</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

B. Capital Appreciation Bonds

The outstanding debt for capital appreciation series 1995 Bonds for Piner-Olivet Union Elementary School District at June 30, 2010, is:

Interest Rate %	Maturity Date (Aug 1)	Amount of Original Issue (Principal)	Accreted Interest	Outstanding June 30, 2010
6.15%	2016	\$ 200,831	\$ 305,660	\$ 506,491
6.15%	2017	199,673	303,907	503,580
6.15%	2018	197,966	301,294	499,260
6.15%	2019	196,943	299,738	496,681
6.15%	2020	195,351	297,331	492,682
Totals		<u>\$ 990,764</u>	<u>\$ 1,507,930</u>	<u>\$ 2,498,694</u>

Annual requirements to amortize the Series 1995 capital appreciation bonds payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30	Principal	Interest	Total
2011	\$ 0	\$ 0	\$ 0
2012	0	0	0
2013	0	0	0
2014	0	0	0
2015	0	0	0
2016-2020	990,764	2,974,236	3,965,000
Totals	<u>\$ 990,764</u>	<u>\$ 2,974,236</u>	<u>\$ 3,965,000</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The outstanding debt for capital appreciation series 1997 Bonds for Piner-Olivet Union Elementary School District at June 30, 2010, is:

Interest Rate %	Maturity Date	Amount of Original Issue (Principal)	Accreted Interest	Outstanding June 30, 2010
5.30%	2011	\$ 153,863	\$ 142,068	\$ 295,931
5.35%	2012	168,795	157,842	326,637
5.40%	2013	181,331	171,708	353,039
5.45%	2014	197,959	189,807	387,766
5.50%	2015	213,748	207,507	421,255
5.55%-5.65%	2016-2020	1,290,368	1,287,921	2,578,289
5.65%	2021-2023	1,488,460	1,498,988	2,987,448
Totals		<u>\$ 3,694,524</u>	<u>\$ 3,655,841</u>	<u>\$ 7,350,365</u>

Annual requirements to amortize the Series 1997 capital appreciation bonds payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30	Principal	Interest	Total
2011	\$ 153,863	\$ 151,137	\$ 305,000
2012	168,795	186,205	355,000
2013	181,331	223,669	405,000
2014	197,959	272,041	470,000
2015	213,748	326,252	540,000
2016-2020	1,290,368	2,674,632	3,965,000
2021-2023	1,488,460	4,261,540	5,750,000
Totals	<u>\$ 3,694,524</u>	<u>\$ 8,095,476</u>	<u>\$ 11,790,000</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

In addition to the benefits described in Note 11 and Note 12, the District provided post-employment healthcare premiums to certificated retirees.

Eligibility for District-Paid Benefits:

Certificated and Certificated Management

Upon attainment of age 55 and completion of at least fourteen (14) years of service credit with the District, a Certificated employee may retire under STRS and receive a District contribution towards healthcare (medical, prescription drug and behavioral health) coverage equal to a percentage of the District cap according to the age at retirement as follows:

<u>Age at Retirement</u>	<u>Percentage of District Cap</u>
55 but less than 58	100%
58 but less than 61	90%
61 but less than 65	75%

The District cap for Certificated employees for the 2009-10 fiscal year is currently \$506 per month (\$6,072 annually), and is frozen in the year of retirement. District benefits end at age 65. The District contribution may not be used toward coverage for spouses or other dependents.

Classified, Classified Management and Classified Confidential:

These groups receive the same retiree benefits as Certificated employees with the exception they are required to have 15 rather than 14 years of service, retirement is under PERS, and the District cap is currently \$502 per month (\$6,024 annually).

Employees who work at least 50% but less than 100% full-time receive a pro-rata share of the District-paid retiree benefits described above. There are three current retirees who receive lifetime benefits under special arrangements, which are not expected to be repeated in the future.

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$86,662
Interest on net OPEB obligation	2,541
Adjustment to annual required contribution	<u>(2,382)</u>
Annual OPEB cost (expense)	86,821
Contributions made	<u>52,119</u>
Increase in net OPEB obligation	34,702
Net OPEB obligation - beginning of year	<u>50,815</u>
Net OPEB obligation - end of year	<u>\$85,517</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$86,821	60%	\$85,517
June 30, 2009	\$85,565	41%	\$50,815

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$674 thousand, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$496 thousand.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of June 30, 2010 was as follows:

Actuarial accrued liability (AAL)	\$674,404
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$674,404</u>
Funded ratio (actuarial value of plan assets/AAL)	0%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6% initially. An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was eighteen years.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 9 - OTHER LONG-TERM DEBT

On October 29, 2002, the District obtained a loan of \$261,930 from the State of California, California Energy Commission evidenced by a promissory note. Payments of \$28,664.50 are due each December and June through 2014 and include interest of 3%. A schedule of loan payments is shown below:

Year Ended June 30	Total	Principal	Interest
2011	\$ 28,664	\$ 25,636	\$ 3,028
2012	28,665	26,406	2,259
2013	28,665	27,210	1,455
2014	28,664	28,031	633
Totals	<u>\$ 114,658</u>	<u>\$ 107,283</u>	<u>\$ 7,375</u>

NOTE 10 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010, is shown below.

	Balance July 01, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
General Obligation Bonds	\$ 12,770,962	\$ 548,097	\$ 580,000	\$ 12,739,059	\$ 660,000
General Obligation Bond Premium	192,441		32,073	160,368	32,073
Other Postemployment Benefits	50,815	86,821	52,119	85,517	
Other Long-Term Debt	132,167		24,884	107,283	25,636
Early Retirement Incentives	414,807	328,685	31,945	711,547	83,345
Compensated Absences	62,422	27,899		90,321	90,321
Totals	<u>\$ 13,623,614</u>	<u>\$ 991,502</u>	<u>\$ 721,021</u>	<u>\$ 13,894,095</u>	<u>\$ 891,375</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the other long-term debt (California Energy Commission Loan) will be made from the Capital Facilities Fund with local revenue. Payments will be made on the early retirement incentives from the General Fund from the savings provided by the program. Payments will be made on the other postemployment benefits and compensated absences from the General Fund.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing 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 California Public Employees' Retirement System (CalPERS).

A. State Teachers' Retirement System (STRS)

Plan Description. The Piner-Olivet Union Elementary School 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, disability, 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, 100 Waterfront Place, West Sacramento, California 95610.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the Piner-Olivet Union Elementary School 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 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Piner-Olivet Union Elementary School District's contributions to STRS for the fiscal year ending June 30, 2010, 2009, and 2008 were \$457,847, \$493,926 and \$497,803, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Piner-Olivet Union Elementary School 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 Q Street, Room 1820 Sacramento, CA 95814.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the Piner-Olivet Union Elementary School 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 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by State statute. The Piner-Olivet Union Elementary School District's contributions to CalPERS for the fiscal year ending June 30, 2010, 2009 and 2008 were \$150,893, \$169,991 and \$160,128, respectively and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2010. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 12 - EARLY RETIREMENT INCENTIVE PROGRAMS

- A. In addition to the benefits described in Note 8 and Note 11, the District has adopted an early retirement incentive program, pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 – EARLY RETIREMENT INCENTIVE PROGRAMS (CONCLUDED)

Retiree Information

Four employees have retired in exchange for the additional two years of service credit.

Position Vacated	Age	Service Credit	Retired Employee		Replacement Employee	
			Salary	Benefits	Salary	Benefits
Teacher	60	28	\$ 79,613	\$ 16,333	\$ 44,079	\$ 12,754
Teacher	62	22	\$ 78,363	\$ 16,836	\$ 44,079	\$ 12,754
Teacher	62	20	\$ 66,444	\$ 15,457	\$ 44,079	\$ 12,754
Teacher	69	22	\$ 69,289	\$ 15,786	N/A	N/A

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$217,365 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$ 215,925
Administrative costs	<u>1,440</u>
Total additional costs	<u>\$ 217,365</u>

Future payments excluding interest and administrative costs for the four employees that retired in 2009-10 and sixteen employees retiring in earlier years, are as follows:

<u>Year Ending June 30</u>	<u>Payment</u>
2011	\$ 58,614
2012	78,608
2013	78,606
2014	75,361
2015	68,314
2016-2018	<u>183,313</u>
Total	<u>\$ 542,816</u>

- B. The District has offered early retirement incentives to classified employees. Four employees have retired in exchange for an additional two years of service credit. The District paid \$53,030 in 2009-10. Future payments due for the retirees are as follows:

<u>Year Ending June 30</u>	<u>Payment</u>
2011	\$ 24,731
2012	72,000
2013	<u>72,000</u>
Total	<u>\$ 168,731</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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.

B. Joint Ventures

The District participates in two joint ventures under joint powers agreements (JPAs) with Redwood Empire Schools Insurance Group (RESIG) for worker's compensation, property and liability and dental insurance coverage and West County Transportation Agency for bussing services. The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive- (Negative)
	Original	Final		
<u>REVENUES</u>				
Revenue Limit Sources:				
State Apportionments	\$ 3,966,572	\$ 3,417,570	\$ 3,416,956	\$ (614)
Local Sources	2,802,128	2,998,984	3,005,838	6,854
Total Revenue Limit	6,768,700	6,416,554	6,422,794	6,240
Federal Revenue	530,361	686,900	654,257	(32,643)
Other State Revenue	1,657,027	1,640,482	1,640,483	1
Other Local Revenue	1,016,105	977,239	967,031	(10,208)
Total Revenues	9,972,193	9,721,175	9,684,565	(36,610)
<u>EXPENDITURES</u>				
Certificated Salaries	5,265,918	5,192,196	5,179,946	12,250
Classified Salaries	1,330,010	1,335,911	1,319,920	15,991
Employee Benefits	1,708,162	1,704,964	1,669,961	35,003
Books and Supplies	280,387	379,123	292,090	87,033
Services and Other				
Operating Expenditures	1,115,539	1,185,026	1,132,321	52,705
Capital Outlay		5,458	5,457	1
Other Outgo	105,000	105,000	103,433	1,567
Total Expenditures	9,805,016	9,907,678	9,703,128	204,550
Excess of Revenues				
Over (Under) Expenditures	167,177	(186,503)	(18,563)	167,940
Other Financing Sources (Uses):				
Operating Transfers Out	(20,000)	(308,940)	(308,940)	
Other Sources		300,000	300,000	
Total Other Financing Sources (Uses)	(20,000)	(8,940)	(8,940)	0
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	147,177	(195,443)	(27,503)	167,940
Fund Balances - July 1, 2009	569,213	1,249,215	1,249,215	0
Fund Balances - June 30, 2010	\$ 716,390	\$ 1,053,772	\$ 1,221,712	\$ 167,940

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
PINER OLIVET CHARTER SCHOOL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive- (Negative)
	Original	Final		
<u>REVENUES</u>				
Revenue Limit Sources:				
State Apportionments	\$ 598,689	\$ 582,676	\$ 582,676	
Local Sources	429,546	403,604	403,604	
 Total Revenue Limit	 1,028,235	 986,280	 986,280	
Federal Revenue	57,652	80,051	79,327	\$ (724)
Other State Revenue	116,858	143,123	143,123	
Other Local Revenue	25,155	37,178	36,070	(1,108)
 Total Revenues	 1,227,900	 1,246,632	 1,244,800	 (1,832)
<u>EXPENDITURES</u>				
Certificated Salaries	652,715	651,596	651,595	1
Classified Salaries	133,496	141,875	141,844	31
Employee Benefits	185,848	183,410	180,595	2,815
Books and Supplies	72,501	71,616	58,005	13,611
Services and Other Operating Expenditures	176,257	213,710	206,125	7,585
 Total Expenditures	 1,220,817	 1,262,207	 1,238,164	 24,043
 Excess of Revenues Over (Under) Expenditures	 7,083	 (15,575)	 6,636	 22,211
 Fund Balances - July 1, 2009	 167,488	 274,651	 274,651	 0
 Fund Balances - June 30, 2010	 \$ 174,571	 \$ 259,076	 \$ 281,287	 \$ 22,211

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
NORTHWEST PREP AT PINER-OLIVET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive- (Negative)
	Original	Final		
<u>REVENUES</u>				
Revenue Limit Sources:				
State Apportionments	\$ 394,285	\$ 441,869	\$ 442,069	\$ 200
Local Sources	241,581	255,034	255,034	
Total Revenue Limit	635,866	696,903	697,103	200
Federal Revenue	36,841	57,822	56,725	(1,097)
Other State Revenue	118,772	117,824	118,115	291
Other Local Revenue	5,000	8,626	8,309	(317)
Total Revenues	796,479	881,175	880,252	(923)
<u>EXPENDITURES</u>				
Certificated Salaries	443,225	445,916	444,886	1,030
Classified Salaries	70,964	69,260	69,258	2
Employee Benefits	123,146	126,974	126,506	468
Books and Supplies	26,908	22,983	16,247	6,736
Services and Other Operating Expenditures	166,431	192,342	192,222	120
Total Expenditures	830,674	857,475	849,148	8,327
Excess of Revenues Over (Under) Expenditures	(34,195)	23,700	31,104	7,404
Fund Balances (Deficit) - July 1, 2009	(100,629)	(49,053)	(49,053)	0
Fund Balances (Deficit) - June 30, 2010	\$ (134,824)	\$ (25,353)	\$ (17,949)	\$ 7,404

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SUPPLEMENTARY INFORMATION SECTION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ ADMINISTRATION

JUNE 30, 2010

ORGANIZATION

The Piner-Olivet Union Elementary School District was established in 1959. The District is in Santa Rosa, California. There was no change in District boundaries during the year. The District operates four elementary schools, Piner Elementary, Olivet Elementary, Schaefer Elementary, Jack London Elementary and two charter schools, Piner-Olivet Charter School and Northwest Prep at Piner-Olivet.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Lisa Anderson	President	November, 2012
William Campbell	Vice President	November, 2010
Beth Mead	Clerk	November, 2012
Mardi Hinton	Member	November, 2010
Cindy Pryor	Member	November, 2010

ADMINISTRATION

Marion Guillen
District Superintendent
and Secretary to the Board

Becky Leffew
Director of Business Services

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	182	183
First through Third	557	557
Fourth through Sixth	512	512
Special Education – Special Day Class	17	18
Special Education – Non Public	1	1
Special Education – Extended Year	<u>1</u>	<u>1</u>
Totals	<u>1,270</u>	<u>1,272</u>
<u>PINER-OLIVET CHARTER SCHOOL</u>		
<u>Elementary</u>		
Seventh and Eighth	197	197
Classroom Based ADA for Seventh and Eighth	<u>192</u>	<u>192</u>
<u>NORTHWEST PREP AT PINER-OLIVET</u>		
<u>Elementary</u>		
Seventh and Eighth	44	45
Classroom Based ADA for Seventh and Eighth	42	43
<u>Secondary</u>		
Ninth through Twelfth	80	79
Classroom Based ADA for Ninth through Twelfth	<u>57</u>	<u>57</u>
Totals	<u>124</u>	<u>124</u>

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

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement as Reduced</u>	<u>1982-82 Actual Minutes as Reduced</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,960	35,800	36,755	44,805	179	In compliance
Grade 1	50,400	44,000	50,120	43,756	54,070	179	In compliance
Grade 2	50,400	44,000	50,120	43,756	54,070	179	In compliance
Grade 3	50,400	44,000	50,120	43,756	54,070	179	In compliance
Grade 4	54,000	52,800	53,700	52,507	53,920	179	In compliance
Grade 5	54,000	52,800	53,700	52,507	53,920	179	In compliance
Grade 6	54,000	52,800	53,700	52,507	53,920	179	In compliance

Piner-Olivet Charter School

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2009-2010 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 7	54,000	*	54,320	175	In compliance
Grade 8	54,000	*	54,320	175	In compliance

Northwest Prep at Piner-Olivet

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2009-2010 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 7	54,000	*	64,860	180	In compliance
Grade 8	54,000	*	64,860	180	In compliance
Grade 9	64,800	*	64,860	180	In compliance
Grade 10	64,800	*	64,860	180	In compliance
Grade 11	64,800	*	64,860	180	In compliance
Grade 12	64,800	*	64,860	180	In compliance

* The charter schools were not in operation in 1982-83.

Commencing with the 2009-2010 school year and continuing through the 2012-2013 school year, a school district may reduce the equivalent of up to five days of instruction or the equivalent number of instructional minutes without incurring penalties.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The District has granted two Charter Schools, the Piner-Olivet Charter School and the Northwest Prep at Piner-Olivet. Financial activities for the Charter Schools are presented as separate, major funds in the District's financial statements.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Program Name:</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Revenues</u>	<u>Program Expenditures</u>
US Department of Agriculture:				
Passed through California Department of Education (CDE):				
National School Lunch	10.555	13524	\$ 339,873	\$ 339,873
Total US Department of Agriculture			<u>339,873</u>	<u>339,873</u>
US Department of Education:				
Passed through CDE:				
NCLB: Title I Basic Grants Low Income and Neglected	84.010	14329	123,197	123,197
NCLB: Title I, ARRA, Basic Programs	84.389	15005	57,313	57,313
Special Ed: IDEA Basic Local Assistance	84.027	13379	206,146	206,146
Special Ed: IDEA Preschool Grant, Part B	84.173	13430	19,298	19,298
Special Ed: IDEA Preschool Local Entitlement	84.027A	13682	25,924	25,924
Special Ed: ARRA IDEA Part B, Basic Local Assistance	84.391	15003	163,561	163,561
NCLB: Title IV, Drug-Free Schools	84.186	14347	3,825	3,825
NCLB: Title II, Part A, Teacher Quality	84.367	14341	37,796	37,796
NCLB: Title III, Limited English Proficiency	84.365	10084	42,850	42,850
NCLB: Title II, Enhancing Education Through Technology	84.318	14334	(316)	(316)
NCLB: Title VI, Rural and Low Income School Program	84.358	14356	33,453	33,453
ARRA: State Fiscal Stabilization	84.394	25008	77,262	292,258
Total US Department of Education			<u>790,309</u>	<u>1,005,305</u>
Total Federal Programs			<u>\$ 1,130,182</u>	<u>\$ 1,345,178</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Auditor's Comments

The audited financial statements of other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2010.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	(Budget) 2010-2011	2009-2010	2008-2009	2007-2008
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 8,758,878	\$ 9,984,565	\$ 11,091,567	\$ 10,680,523
Expenditures	8,805,992	9,703,128	10,793,092	10,968,266
Other Uses and Transfers Out	3,474	308,940	17,626	61,627
Total Outgo	8,809,466	10,012,068	10,810,718	11,029,893
Change in Fund Balance (Deficit)	(50,588)	(27,503)	280,849	(349,370)
Ending Fund Balance	\$ 909,541	\$ 1,221,712	\$ 1,249,215	\$ 968,366
Available Reserves	\$ 456,206	\$ 798,314	\$ 632,899	\$ 495,038
Designated for Economic Uncertainties	\$ 264,284	\$ 296,657	\$ 332,177	\$ 357,807
Undesignated Fund Balance	\$ 191,922	\$ 501,657	\$ 300,722	\$ 137,231
Available Reserves as a Percentage of Total Outgo	5.2%	8.0%	5.9%	4.5%
Total Long-Term Debt	\$ 13,016,350	\$ 13,894,095	\$ 13,623,614	\$ 13,325,433
Average Daily Attendance at P-2	1,274	1,270	1,340	1,320

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.

The General Fund balance has decreased \$96,024 during the past three years. For a District this size, the state recommends available reserves of 3% of General Fund expenditures, other uses and transfers out (total outgo).

Average daily attendance has decreased 50 ADA during the past two years.

Total long-term debt has increased \$568,662 during the past two years.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2010

	Cafeteria	Deferred Maintenance	Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities	Totals
<u>ASSETS</u>					
Cash in County Treasury	\$ 99,670	\$ 2,423	\$ 50,596	\$ 22,327	\$ 175,016
Cash on Hand and in Bank	5,232				5,232
Accounts Receivable	4,136				4,136
Due from Other Funds	8,940		250,000		258,940
Total Assets	<u>\$ 117,978</u>	<u>\$ 2,423</u>	<u>\$ 300,596</u>	<u>\$ 22,327</u>	<u>\$ 443,324</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 112,203	\$ 1,508		\$ 2,250	\$ 115,961
Due to Other Funds	460	43			503
Total Liabilities	112,663	1,551		2,250	116,464
Fund Balances:					
Unreserved					
Undesignated	5,315	872	\$ 300,596	20,077	326,860
Total Liabilities and Fund Balances	<u>\$ 117,978</u>	<u>\$ 2,423</u>	<u>\$ 300,596</u>	<u>\$ 22,327</u>	<u>\$ 443,324</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Cafeteria	Deferred Maintenance	Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities	Totals
<u>REVENUES</u>					
Federal Sources:					
Other	\$ 339,873				\$ 339,873
Other State Sources:					
Other	30,799				30,799
Other Local Sources:					
Interest	326	\$ 982	\$ 596	\$ 187	2,091
Other	123,288			1,169	124,457
Total Revenues	494,286	982	596	1,356	497,220
<u>EXPENDITURES</u>					
Classified Salaries	90,714	2,430			93,144
Employee Benefits	29,314	460			29,774
Books and Supplies	377,056				377,056
Services and Other					
Operating Expenditures	6,142	22,408		112,681	141,231
Capital Outlay		6,515			6,515
Debt Service:					
Principal Retirement				24,885	24,885
Interest and Fiscal Charges				3,780	3,780
Total Expenditures	503,226	31,813	0	141,346	676,385
Excess of Revenues Over (Under) Expenditures	(8,940)	(30,831)	596	(139,990)	(179,165)
Other Financing Sources (Uses):					
Operating Transfers In	8,940		300,000		308,940
Other Uses		(300,000)			(300,000)
Total Other Financing Sources (Uses)	8,940	(300,000)	300,000	0	8,940
Excess of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	0	(330,831)	300,596	(139,990)	(170,225)
Fund Balances - July 1, 2009	5,315	331,703	0	160,067	497,085
Fund Balances - June 30, 2010	\$ 5,315	\$ 872	\$ 300,596	\$ 20,077	\$ 326,860

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 AGENCY FUND
 JUNE 30, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>STUDENT BODY ACCOUNT</u>				
<u>ASSETS</u>				
Cash	\$ 5,318	\$ 51,070	\$ 52,415	\$ 3,973
<u>LIABILITIES</u>				
Due to Student Groups	\$ 5,318	\$ 51,070	\$ 52,415	\$ 3,973

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Schedule of Average Daily Attendance

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

C. 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 and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

E. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

G. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

H. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

REPORT ON STATE COMPLIANCE

Board of Trustees
Piner-Olivet Union Elementary School District
Santa Rosa, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Piner-Olivet Union Elementary School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General Requirements	8	Yes
Ratios 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
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction, for charter schools	1	Yes
Non Classroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Non Classroom-Based		
Instruction	3	Yes
Annual Instructional Minutes - Classroom Based	3	Yes

Based on our audit, we found that, for the items tested, the Piner-Olivet Union Elementary School District complied with the state laws and regulations referred to above. Further, based on the examination, for items not tested, nothing came to our attention to indicate that the Piner-Olivet Union Elementary School District had not complied with the state laws and regulations.

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

Goodell, Porter, Sanchez & Bright, LLP
 GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
 Certified Public Accountants

November 30, 2010

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

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

Board of Trustees
Piner-Olivet Union Elementary School District
Santa Rosa, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piner-Olivet Union Elementary School District as of and for the year ended June 30, 2010, which collectively comprise the Piner-Olivet Union Elementary School District's basic financial statements and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiency described as finding 2010-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Piner-Olivet Union Elementary School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Piner-Olivet Union Elementary School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District Board and management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 30, 2010

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

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

Board of Trustees
Piner-Olivet Union Elementary School District
Santa Rosa, California

Compliance

We have audited Piner-Olivet Union Elementary School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Piner-Olivet Union Elementary School District's major federal programs for the year ended June 30, 2010. Piner-Olivet Union Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Piner-Olivet Union Elementary School District's management. Our responsibility is to express an opinion on Piner-Olivet Union Elementary School District's compliance based on our audit.

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

In our opinion, Piner-Olivet Union Elementary School District complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of Piner-Olivet Union Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Piner-Olivet Union Elementary School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Piner-Olivet Union Elementary School 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 the internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District Board and management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 30, 2010

FINDINGS AND QUESTIONED COSTS SECTION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A, 84.391 84.010, 84.389 84.394	Special Education Cluster NCLB: Title I, Part A Cluster ARRA: State Fiscal Stabilization Fund

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

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over state programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Type of auditor's report issued on compliance for state programs: Unqualified

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section II - Financial Statements Findings

2010 - 1 - REVOLVING FUND - 30000

Specific Requirement That Was Not Complied With: Sound accounting policies require timely deposit of all receipts to ensure maximization of earnings and reduce the risk of misappropriation of assets. Such policies also require maintenance of supporting documentation of all disbursements.

Finding: During our testing of the activity in the revolving fund for Piner-Olivet Charter School we found loose cash and a live check dated four months prior to the audit date loose in the revolving account binder. We also found evidence of a systemic problem with depositing checks in a timely manner, and a high rate of NSF's. We also found that there was little or no support for checks written, and no support for deposits.

Effect: By not depositing receipts in a timely manner, earnings may be lost and misappropriations of assets may occur. By not retaining support for both receipts and disbursements, inappropriate activity may occur in the account.

Recommendation: We recommend that all receipts be deposited as soon as possible and that backup documentation for each deposit be maintained. We also recommend that documentation be maintained for all disbursements.

District Response: The District will work with Piner-Olivet Charter School to develop a process for getting deposits made in a timely manner and to provide a secure system for holding cash and checks while waiting to be deposited.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV- State Award Findings and Questioned Costs

No matters are reported.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2010

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. The Charter School budget must be constantly monitored against actual operations and immediately revised when necessary. No expenditure should be approved that is not already appropriated unless an unexpected funding source is realized.	Accepted Implemented	
2. District expenditures should be supported by the completion of a purchase order in advance of the purchase. Before the purchase is approved, the budget should be reviewed for availability of funds.	Accepted Implemented	
3. Proper authorization should be obtained prior to disbursement in order to improve internal and budgetary controls.	Accepted Implemented	