

PITTSBURG UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2011



**PITTSBURG UNIFIED SCHOOL DISTRICT
OF CONTRA COSTA COUNTY**

PITTSBURG, CALIFORNIA

JUNE 30, 2011

The Pittsburg Unified School District was established in 1933, and is located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District is currently operating eight elementary schools, two middle schools, one high school and one continuation high school.

GOVERNING BOARD

Member	Office	Term Expires
Dr. William Wong	President	November 2014
Dr. Laura Canciamilla	Vice President	November 2012
Mr. Robert Belleci	Trustee	November 2014
Mr. Vincent Ferrante	Trustee	November 2014
Mr. George Miller	Trustee	November 2012

DISTRICT ADMINISTRATORS

Ms. Linda Rondeau
Superintendent

Mr. Abe Doctolero
Assistant Superintendent of Educational Services

Ms. Dorothy Epps
Assistant Superintendent of Personnel Services

Mr. Enrique Palacios
Associate Superintendent of Business Services

Ms. Sonya Marturano
Finance Director

**PITTSBURG UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. 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 the 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 Pittsburg Unified School District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011 on our consideration of the Pittsburg Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

SAN DIEGO

RANCHO CUCAMONGA

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The required supplementary information, such as management's discussion and analysis on pages 3 through 10, the budgetary comparison information on page 55, and the schedule of funding progress on page 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pittsburg Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements – Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chintalata Accountancy Corporation

San Diego, California
December 7, 2011

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

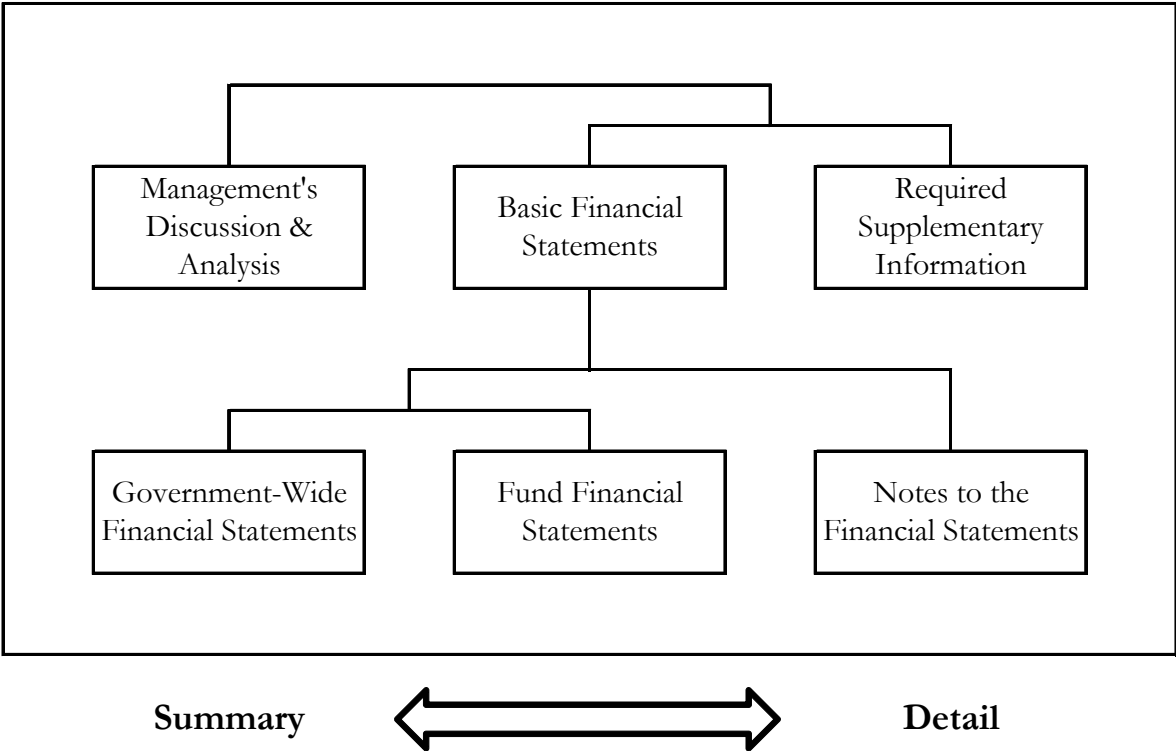
Our discussion and analysis of Pittsburg Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$144,857,087 at June 30, 2011. This was an increase of \$10,306,287 over the prior year.
- Overall revenues were \$112,968,337 which exceeded expenses of \$102,662,050 by \$10,306,287.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



OVERVIEW OF FINANCIAL STATEMENTS (*continued*)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you 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** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

The government-wide statements report 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 government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$144,857,087 at June 30, 2011, as reflected in Table A-1 below. Of this amount, \$10,802,111 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations.

**Table A-1
Pittsburg Unified School District's Net Assets**

	Governmental Activities		Total
	2010	2011	Percentage Change 2010-11
Current assets	\$ 97,531,018	\$ 72,791,370	-25%
Noncurrent assets	207,555,869	249,941,267	20%
Total assets	305,086,887	322,732,637	6%
Current liabilities	19,653,148	9,470,986	-52%
Noncurrent liabilities	150,882,939	168,404,564	12%
Total liabilities	170,536,087	177,875,550	4%
Total net assets	\$ 134,550,800	\$ 144,857,087	8%

District government-wide assets increased primarily due to additions to capital assets, and liabilities increased primarily due to the new certificate of participation.

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

As shown in Table A-2 below, the District's total revenues were \$112,968,337. The majority of the revenue comes from General Revenues (68%). The federal and state governments also subsidized programs with grants and contributions (25%). Capital grants and contributions accounted for another 6% of revenues, while 1% of revenues were contributed by users of the District's programs.

The total cost of all programs and services was \$102,662,050. The District's expenses are predominately related to educating and caring for students (64%). Pupil Services (including transportation and food) account for 9% of expenses. Administrative activities accounted for just 4% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 10% of all costs. The remaining expenses were for ancillary services, community services, interest on long-term debt, transfers to other agencies, and depreciation (13%).

**Table A-2
Changes in Pittsburg Unified School District's Net Assets**

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 498,587	\$ 719,588	44%
Operating grants and contributions	24,041,161	28,586,943	19%
Capital grants and contributions	20,148,637	6,407,692	-68%
<i>General revenues</i>			
Property taxes	18,318,926	19,256,598	5%
Other revenues	55,114,586	57,997,516	5%
Total revenues	118,121,897	112,968,337	-4%
Expenses:			
Instruction-related	60,867,737	65,816,645	8%
Student support services	8,455,292	9,136,617	8%
Maintenance and operations	14,571,391	9,749,484	-33%
Administration	4,902,550	4,540,923	-7%
Other expenses	11,204,589	13,418,381	20%
Total expenses	100,001,559	102,662,050	3%
Change in net assets	\$ 18,120,338	\$ 10,306,287	-43%

The 33% decrease in Maintenance and Operations expense is due to the certificate of participation that was not properly accounted for in 2010 – see prior year finding #2010-5 for more information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

As reported in the Statement of Activities on page 12, the cost of all our governmental activities this year was \$102,662,050 (refer to Table A-3). The amount that District and state taxpayers ultimately financed for these activities through taxes was only \$66,947,827, because the cost was paid by those who benefited from the programs (\$719,588), by other governments and organizations who subsidized certain programs with grants and contributions (\$28,586,943) or through capital grants and contributions (\$6,407,692).

**Table A-3
Net Costs of Pittsburg Unified School District's
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 65,816,645	\$ 41,233,177
Pupil support services	9,136,617	2,538,783
Maintenance and operations	9,749,484	6,985,924
Administration	4,540,923	3,398,505
Other expenses	13,418,381	12,791,438
Total expenses	\$ 102,662,050	\$ 66,947,827

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$70,124,198, which is less than last year's ending fund balance of \$81,686,260. The District's General Fund had \$6,569,245 less in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on state and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010-11 the District had invested \$342,634,522 in a broad range of capital assets including land improvements, building construction, work in progress, and equipment. (See Table A-4.) This represents an increase of 14% over last year's amount. (More detailed information about capital assets can be found in Note 4 to the financial statements).

**Table A-4
Pittsburg Unified School District's Capital Assets**

	Governmental Activities		Total
	2010	2011	Percentage Change 2010-11
Land	\$ 1,785,563	\$ 1,785,563	0%
Site improvements	19,290,881	19,290,881	0%
Buildings	202,860,936	206,801,211	2%
Furniture and equipment	5,920,883	5,113,948	-14%
Construction in progress	69,527,305	109,642,919	58%
Total capital assets	\$ 299,385,568	\$ 342,634,522	14%

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$172,266,097 in long-term debt, an increase of 12% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5
Pittsburg Unified School District's Long-Term Debt**

	Governmental Activities		Total
	2010	2011	Percentage Change 2010-11
General obligation bonds	\$ 106,680,000	\$ 104,255,000	-2%
Premiums	1,112,437	1,058,092	-5%
Certificates of participation	43,775,000	63,680,000	45%
Premiums	-	52,524	100%
Compensated absences	611,699	600,583	-2%
Net OPEB obligation	1,788,148	2,619,898	47%
Total long-term debt	\$ 153,967,284	\$ 172,266,097	12%

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2012-13 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2011-12 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office, Pittsburg Unified School District, 2000 Railroad Avenue, Pittsburg, California 94565.

PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 47,137,910
Accounts receivable	25,612,405
Inventory	41,055
Total current assets	72,791,370
Deferred charges	2,701,143
Capital assets, non-depreciable	111,428,482
Capital assets, depreciable, net	135,811,642
Total non-current assets	249,941,267
Total Assets	322,732,637
LIABILITIES	
Deficit cash	713,265
Accrued liabilities	3,662,953
Deferred revenue	1,233,235
Long-term liabilities, current portion	3,861,533
Total current liabilities	9,470,986
Long-term liabilities, non-current portion	168,404,564
Total Liabilities	177,875,550
NET ASSETS	
Invested in capital assets, net of related debt	78,241,209
Restricted for	
Capital projects	43,333,944
Debt service	5,841,850
Educational programs	6,637,973
Unrestricted	10,802,111
Total Net Assets	\$ 144,857,087

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Function/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants		
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 56,825,069	\$ 37,246	\$ 16,066,655	\$ 6,407,692	\$ (34,313,476)	
Instruction-related services						
Instructional supervision and administration	1,908,139	-	1,228,916	-	(679,223)	
Instructional library, media, and technology	596,738	-	128,450	-	(468,288)	
School site administration	6,486,699	8,492	706,017	-	(5,772,190)	
Pupil services						
Home-to-school transportation	1,388,542	-	667,781	-	(720,761)	
Food services	4,380,557	405,202	4,557,256	-	581,901	
All other pupil services	3,367,518	-	967,595	-	(2,399,923)	
General administration						
Centralized data processing	622,732	-	-	-	(622,732)	
All other general administration	3,918,191	-	1,142,418	-	(2,775,773)	
Plant services	9,749,484	205,558	2,558,002	-	(6,985,924)	
Ancillary services	258,191	-	-	-	(258,191)	
Community services	16,530	-	-	-	(16,530)	
Interest on long-term debt	8,239,996	-	-	-	(8,239,996)	
Transfer to other agencies	543,103	63,090	563,853	-	83,840	
Depreciation (unallocated)	4,360,561	-	-	-	(4,360,561)	
Total Governmental Activities	\$ 102,662,050	\$ 719,588	\$ 28,586,943	\$ 6,407,692	(66,947,827)	
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes					7,583,954	
Property taxes, levied for debt service					8,208,495	
Property taxes, levied for other specific purposes					3,464,149	
Federal and state aid not restricted for specific purposes					57,037,293	
Interest and investment earnings					129,602	
Miscellaneous					830,621	
Subtotal, General Revenue					77,254,114	
CHANGE IN NET ASSETS					10,306,287	
Net Assets - Beginning					134,550,800	
Net Assets - Ending					\$ 144,857,087	

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 145,213	\$ 30,499,756	\$ 6,399,986	\$ 10,092,955	\$ 47,137,910
Accounts receivable	18,647,873	-	6,463,683	-	500,849	25,612,405
Due from other funds	-	-	-	2,000,000	159	2,000,159
Stores inventory	-	-	-	-	41,055	41,055
Total Assets	\$ 18,647,873	\$ 145,213	\$ 36,963,439	\$ 8,399,986	\$ 10,635,018	\$ 74,791,529
LIABILITIES						
Deficit cash	\$ 713,265	\$ -	\$ -	\$ -	\$ -	\$ 713,265
Accrued liabilities	417,023	145,213	-	29,481	128,955	720,672
Due to other funds	159	-	2,000,000	-	-	2,000,159
Deferred revenue	1,233,235	-	-	-	-	1,233,235
Total Liabilities	2,363,682	145,213	2,000,000	29,481	128,955	4,667,331
FUND BALANCES						
Nonspendable	25,000	-	-	-	46,055	71,055
Restricted						
Educational programs	4,801,464	-	-	-	1,836,509	6,637,973
Capital projects	-	-	34,963,439	8,370,505	-	43,333,944
Debt service	-	-	-	-	5,841,850	5,841,850
Committed	-	-	-	-	2,781,649	2,781,649
Assigned	8,062,340	-	-	-	-	8,062,340
Unassigned	3,395,387	-	-	-	-	3,395,387
Total Fund Balances	16,284,191	-	34,963,439	8,370,505	10,506,063	70,124,198
Total Liabilities and Fund Balances						
Balances	\$ 18,647,873	\$ 145,213	\$ 36,963,439	\$ 8,399,986	\$ 10,635,018	\$ 74,791,529

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

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2011

Total Fund Balance - Governmental Funds \$ 70,124,198

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

Capital assets	\$ 342,634,522	
Accumulated depreciation	(95,394,398)	247,240,124

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:

2,701,143

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:

(2,942,281)

Long-term liabilities:

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

General obligation bonds payable	\$ 105,313,092	
Net OPEB obligation	2,619,898	
Compensated absences	600,583	
Certificates of participation payable	63,732,524	(172,266,097)

Total Net Assets - Governmental Activities \$ 144,857,087

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Revenue limit sources	\$ 51,789,070	\$ -	\$ -	\$ -	\$ -	\$ 51,789,070
Federal sources	9,415,899	-	-	-	4,779,695	14,195,594
Other state sources	19,442,164	-	-	-	8,513,946	27,956,110
Other local sources	5,208,679	17,435	2,862,167	(23,600)	10,962,882	19,027,563
Total Revenues	85,855,812	17,435	2,862,167	(23,600)	24,256,523	112,968,337
EXPENDITURES						
Current						
Instruction	53,280,537	-	-	-	2,744,304	56,024,841
Instruction-related services						
Instructional supervision and administration	1,908,139	-	-	-	-	1,908,139
Instructional library, media, and technology	596,738	-	-	-	-	596,738
School site administration	5,525,863	-	-	-	960,836	6,486,699
Pupil services						
Home-to-school transportation	1,388,542	-	-	-	-	1,388,542
Food services	-	-	-	-	4,517,289	4,517,289
All other pupil services	3,354,469	-	-	-	13,049	3,367,518
General administration						
Centralized data processing	622,732	-	-	-	-	622,732
All other general administration	3,604,748	-	-	-	-	3,604,748
Plant services	8,613,784	-	14,979	-	821,118	9,449,881
Facilities acquisition and maintenance	77,064	18,603,313	14,374,980	2,512,321	8,933,046	44,500,724
Ancillary services	258,191	-	-	-	-	258,191
Community services	16,530	-	-	-	-	16,530
Transfers to other agencies	38,416	-	-	-	-	38,416
Debt service						
Principal	814	-	609,326	-	2,425,000	3,035,140
Interest and other	-	-	3,932,298	-	4,841,998	8,774,296
Total Expenditures	79,286,567	18,603,313	18,931,583	2,512,321	25,256,640	144,590,424
Excess (Deficiency) of Revenues						
Over Expenditures	6,569,245	(18,585,878)	(16,069,416)	(2,535,921)	(1,000,117)	(31,622,087)
Other Financing Sources (Uses)						
Transfers in	-	454,151	-	2,000,000	2,408,468	4,862,619
Other sources	-	-	20,564,712	-	-	20,564,712
Transfers out	(2,913,155)	-	(2,000,000)	(454,151)	-	(5,367,306)
Net Financing Sources (Uses)	(2,913,155)	454,151	18,564,712	1,545,849	2,408,468	20,060,025
NET CHANGE IN FUND BALANCE	3,656,090	(18,131,727)	2,495,296	(990,072)	1,408,351	(11,562,062)
Fund Balance - Beginning	12,628,101	18,131,727	32,468,143	9,360,577	9,097,712	81,686,260
Fund Balance - Ending	\$ 16,284,191	\$ -	\$ 34,963,439	\$ 8,370,505	\$ 10,506,063	\$ 70,124,198

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds	\$	(11,562,062)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	\$ 44,358,259	
Depreciation expense:	(4,360,561)	39,997,698
<hr/>		
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:		
		3,030,000
Debt proceeds:		
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		
		(20,564,712)
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:		
Issue costs incurred during the period:	\$ 788,095	
Issue costs amortized for the period:	(183,961)	604,134
<hr/>		
Gain or loss from the 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:		
		(313,443)
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 it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		
		(121,227)
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 amount earned. The difference between compensated absences paid and compensated absences earned, was:		
		11,116
Postemployment benefits other than pensions (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 costs and actual employer contributions was:		
		(831,750)
Amortization of debt issue premium or discount:		
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing 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:		
		56,533
Change in net assets of Governmental Activities	\$	10,306,287

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011**

	Retiree Benefit Trust Fund	Private-Purpose Trust Fund	ASB Agency Funds
ASSETS			
Cash and cash equivalents	\$ 501,500	\$ 102,262	\$ 402,261
Total Assets	501,500	102,262	\$ 402,261
LIABILITIES			
Due to student groups	-	-	\$ 402,261
Total Liabilities	-	-	\$ 402,261
NET ASSETS			
Unrestricted	501,500	102,262	
Total Net Assets	\$ 501,500	\$ 102,262	

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Retiree Benefit Trust Fund	Private-Purpose Trust Fund
ADDITIONS		
Investment earnings	\$ 232	\$ 391
Other	-	13,550
Interfund transfers in and other sources	504,687	-
Total Additions	504,919	13,941
DELETIONS		
Other trust activities	304,270	20,719
Total Deletions	304,270	20,719
NET CHANGE IN FUND BALANCE	200,649	(6,778)
Net Assets - Beginning	300,851	109,040
Net Assets - Ending	\$ 501,500	\$ 102,262

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Pittsburg Unified School District (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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Component Unit

The District and Pittsburg Unified School District Financing Corporation (“the Corporation”) have a financial and operational relationship that meets the reporting entity definition criteria of the GASB Statement No. 14, “*The Financial Reporting Entity*”, for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the financial statements of the District

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete.

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

The Corporation was formed in March 1994, pursuant to the general California nonprofit corporation laws, to provide financial assistance to the District for construction and acquisition of major capital facilities. Certificates of Participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Component Unit (continued)

The following are those aspects of the relationship between the District and the Facilities District that satisfy GASB Statement No. 14, as amended by GASB Statement No. 39, criteria:

1. Manifestation of Oversight

- The Corporation's Board of Directors was appointed by the District's Governing Board. The Corporation has no employees. The District's Assistant Superintendent of Business Services functions as the agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.

2. Accounting for Fiscal Matters

a. The District is able to impose its will upon the Corporation, based on the following:

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

b. The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

- Any deficits incurred by the Corporation will be reflected in the lease payments of the District.
- Any surpluses of the Corporation revert to the District at the end of the lease period.
- The District has assumed a "moral obligation", and potentially a legal obligation, on any debt incurred by the Corporation.

3. Scope of Public Service and Financial Presentation

- The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. Upon completion, the District intends to occupy all Corporation facilities under a lease-purchase agreement effective through the year 2024.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with two JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Contra Costa County Schools Insurance Group (CCCSIG)
- Schools' Self Insurance of Contra Costa County (SSICCC)

D. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code Sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code Sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (Education Code Section 42840).

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (Education Code Sections 52616[b] and 52501.5[a]).

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by an LEA for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (Education Code Section 8328).

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code Sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code Sections 38091 and 38100).

Deferred Maintenance Fund. This fund is used to account separately for state apportionments and the LEA's contributions for deferred maintenance purposes (Education Code Sections 17582–17587). In addition, whenever the state funds provided pursuant to Education Code Sections 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the district (Education Code Sections 17582 and 17583).

Capital Project Funds. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (*Education Code* Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Fiduciary Funds

Trust and Agency Funds. Trust and Agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Retiree Benefit Fund. This fund exists to account separately for amounts held in trust for the District's MediGap program. The District transfers funds from the General Fund through an agreement with the certificated bargaining unit in-lieu of a 1% pay increase to fund teachers' medical insurance premiums above what Medicare covers.

Foundation Private-Purpose Trust Fund. This fund is used to account separately for gifts or bequests per *Education Code* Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the LEA's own programs.

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

All governmental activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K-12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

Deferred Revenue

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

Certain grants received that have not met eligibility requirements are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Liabilities, and Net Assets (*continued*)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net assets.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

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

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

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

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Liabilities, and Net Assets (*continued*)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide and fiduciary trust fund statements.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

H. 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.

I. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Cash on hand and in banks	\$ 5,107	\$ 402,261	\$ 407,368
Revolving cash	30,000	-	30,000
Cash in county	15,233,923	537,607	15,771,530
Cash with fiscal agent	30,616,345	-	30,616,345
LAIF investment	1,252,535	66,155	1,318,690
Total	\$ 47,137,910	\$ 1,006,023	\$ 48,143,933

B. Policies and Practices

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

C. General Authorizations (continued)

Investments- The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has a fair market value of \$1,321,403 and an amortized book value of \$1,318,690.

Cash with Fiscal Agent - Cash with Fiscal Agent represents \$30,616,345 in the Capital Facilities Fund held by US Bank and restricted for construction costs of various capital improvements.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment with the Contra Costa County Investment Pool with a fair value of approximately \$15,787,302 and an amortized book value of \$15,771,530. The average weighted maturity for this pool is 151 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Contra Costa County Investment Pool is rated at least A by Standard & Poor's.

F. Custodial Credit Risk – Deposits

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 761,637	\$ -	\$ 450,091	\$ 1,211,728
State Government				
Apportionment	12,939,143	-	-	12,939,143
Categorical aid	3,834,063	-	50,758	3,884,821
Lottery	708,600	-	-	708,600
Other Local Sources	404,430	6,463,683	-	6,868,113
Total	\$ 18,647,873	\$ 6,463,683	\$ 500,849	\$ 25,612,405

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 4 – CAPITAL ASSETS

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

	Balance				Balance
	July 01, 2010	Additions	Deductions		June 30, 2011
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 1,785,563	\$ -	\$ -		\$ 1,785,563
Construction in progress	69,527,305	44,055,889	3,940,275		109,642,919
Total Capital Assets not Being					
Depreciated	71,312,868	44,055,889	3,940,275		111,428,482
Capital assets being depreciated					
Land improvements	19,290,881	-	-		19,290,881
Buildings & improvements	202,860,936	3,940,275	-		206,801,211
Furniture & equipment	5,920,883	302,370	1,109,305		5,113,948
Total Capital Assets Being					
Depreciated	228,072,700	4,242,645	1,109,305		231,206,040
Less Accumulated Depreciation					
Land improvements	17,027,725	449,667	-		17,477,392
Buildings & improvements	70,229,280	3,633,470	-		73,862,750
Furniture & equipment	4,572,694	277,424	795,862		4,054,256
Total Accumulated Depreciation	91,829,699	4,360,561	795,862		95,394,398
Governmental Activities					
Capital Assets, net	\$ 207,555,869	\$ 43,937,973	\$ 4,253,718		\$ 247,240,124

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Due To Other Funds	Due From Other Funds		
	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 159	\$ 159
Capital Facilities Fund	2,000,000	-	2,000,000
Total Due From Other Funds	\$ 2,000,000	\$ 159	\$ 2,000,159

Due from the General Fund to the Child Development Fund for encroachment on the General Fund.		\$	159
Due from Capital Facilities Fund to Special Reserve Fund for Capital Outlay Projects for solar project expenditures.			2,000,000
Total		\$	2,000,159

B. Operating Transfers

Interfund Transfers Out	Interfund Transfers In				Total
	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Retiree Benefit Trust Fund	
General Fund	\$ -	\$ -	\$ 2,408,468	\$ 504,687	\$ 2,913,155
Capital Facilities Fund	-	2,000,000	-	-	2,000,000
Special Reserve Fund for Capital Outlay Projects	454,151	-	-	-	454,151
Total Interfund Transfers	\$ 454,151	\$ 2,000,000	\$ 2,408,468	\$ 504,687	\$ 5,367,306

Transfer from General Fund to Adult Education for adult education funding.				\$	2,408,468
Transfer from General Fund to Retiree Benefit Fund for cost of early retirement incentives.					504,687
Transfer from Capital Facilities Fund to Special Reserve Fund for Capital Outlay Projects for solar project expenditures.					2,000,000
Transfer from Special Reserve Fund for Capital Outlay Projects to Building Fund to cover expenditures from 2011-12 bond revenues.					454,151
Total				\$	5,367,306

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 42,887	\$ -	\$ -	\$ 5,617	\$ -	\$ 48,504
Construction	-	145,213	26,560	-	-	171,773
Vendors payable	374,136	-	-	28,700	-	402,836
Interest payable	-	-	-	-	2,942,281	2,942,281
Other liabilities	-	-	2,921	94,638	-	97,559
Total	\$ 417,023	\$ 145,213	\$ 29,481	\$ 128,955	\$ 2,942,281	\$ 3,662,953

NOTE 7 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	General Fund
Federal sources	\$ 508,962
State categorical sources	724,273
Total	\$ 1,233,235

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2011 is shown below:

	Balance			Balance		Balance Due
	July 01, 2010	Additions	Deductions	June 30, 2011	In One Year	
Governmental Activities						
General Obligation (GO) Bonds	\$ 106,680,000	\$ -	\$ 2,425,000	\$ 104,255,000	\$ 2,850,000	
Premiums	1,112,437	-	54,345	1,058,092	54,345	
Certificates of Participation (COPs)	43,775,000	20,510,000	605,000	63,680,000	955,000	
Premiums	-	54,712	2,188	52,524	2,188	
Compensated absences	611,699	-	11,116	600,583	-	
Net OPEB obligation	1,788,148	831,750	-	2,619,898	-	
Total	\$ 153,967,284	\$ 21,396,462	\$ 3,097,649	\$ 172,266,097	\$ 3,861,533	

A. General Obligation Bonds

A summary of the District's bonded indebtedness is shown below:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds		Due Within One Year
				Outstanding July 01, 2010	Additions	Deletions	Outstanding June 30, 2011		
February 1, 1999	August 1, 2023	4.00% - 7.00%	\$ 10,000,000	\$ 385,000	\$ -	\$ 385,000	\$ -	\$ -	
August 13, 2003	August 1, 2024	3.50% - 4.50%	8,825,000	6,660,000	-	465,000	6,195,000	465,000	
March 9, 2005	August 1, 2029	3.50% - 12.00%	17,100,000	15,800,000	-	230,000	15,570,000	285,000	
August 30, 2005	August 1, 2024	3.40% - 4.375%	8,565,000	7,615,000	-	420,000	7,195,000	435,000	
June 8, 2006	August 1, 2030	4.00% - 6.00%	13,350,000	12,650,000	-	125,000	12,525,000	150,000	
September 26, 2007	August 1, 2032	4.00% - 8.00%	10,050,000	9,760,000	-	250,000	9,510,000	280,000	
September 26, 2007	August 1, 2032	4.00% - 8.00%	15,000,000	12,000,000	-	350,000	11,650,000	355,000	
March 12, 2009	August 1, 2039	2.50% - 5.00%	35,000,000	35,000,000	-	140,000	34,860,000	455,000	
February 24, 2010	August 1, 2023	2.00% - 5.00%	6,810,000	6,810,000	-	60,000	6,750,000	425,000	
			\$ 124,700,000	\$ 106,680,000	\$ -	\$ 2,425,000	\$ 104,255,000	\$ 2,850,000	

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize the general obligation bonds payable are as follows:

2003 General Obligation Bonds

In 2003, the District issued \$8,825,000 of General Obligation Bonds. The Bonds require annual principal payments through 2022, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 4.50%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 485,000	\$ 242,829	\$ 727,829
2013	505,000	224,266	729,266
2014	525,000	204,954	729,954
2015	545,000	184,483	729,483
2016	565,000	162,555	727,555
2017-2021	3,220,000	435,088	3,655,088
2022-2023	350,000	7,875	357,875
Total	\$ 6,195,000	\$ 1,462,050	\$ 7,657,050

2005 General Obligation Bonds

In 2005, the District issued \$17,100,000 of General Obligation Bonds. The Bonds require annual principal payments through 2029, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 12.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 285,000	\$ 666,156	\$ 951,156
2013	330,000	646,394	976,394
2014	370,000	630,844	1,000,844
2015	420,000	616,704	1,036,704
2016	470,000	600,226	1,070,226
2017-2021	3,205,000	2,661,771	5,866,771
2022-2026	4,915,000	1,816,947	6,731,947
2027-2030	5,575,000	524,643	6,099,643
Total	\$ 15,570,000	\$ 8,163,685	\$ 23,733,685

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2005 General Obligation Bonds

In 2005, the District issued \$8,565,000 of General Obligation Refunding Bonds. Of this amount, \$8,387,151 was placed into an escrow account to advance refund the remaining \$3,995,000 of the 1998 General Obligation Bonds and \$4,050,000 of the 2000 General Obligation Bonds. The 2005 General Obligation Refunding Bonds require annual principal payments through 2024, plus interest. Annual interest rates for these General Obligation Bonds range from 3.40% to 4.375%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 435,000	\$ 274,144	\$ 709,144
2013	455,000	257,456	712,456
2014	470,000	240,935	710,935
2015	485,000	224,458	709,458
2016	510,000	206,726	716,726
2017-2021	2,850,000	656,242	3,506,242
2022-2025	1,990,000	141,466	2,131,466
Total	\$ 7,195,000	\$ 2,001,427	\$ 9,196,427

2006 General Obligation Bonds

In 2006, the District issued \$13,350,000 of General Obligation Bonds. The Bonds require annual principal payments through 2030, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 6.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 150,000	\$ 574,721	\$ 724,721
2013	180,000	564,821	744,821
2014	220,000	553,921	773,921
2015	250,000	542,171	792,171
2016	290,000	528,671	818,671
2017-2021	2,165,000	2,397,659	4,562,659
2022-2026	3,695,000	1,745,579	5,440,579
2027-2031	5,575,000	686,455	6,261,455
Total	\$ 12,525,000	\$ 7,593,998	\$ 20,118,998

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2008 General Obligation Bonds

In 2008, the District issued \$10,050,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these General Obligation Bonds range from 4.0% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 280,000	\$ 414,434	\$ 694,434
2013	280,000	398,684	678,684
2014	295,000	386,465	681,465
2015	305,000	373,715	678,715
2016	320,000	360,434	680,434
2017-2021	1,800,000	1,592,776	3,392,776
2022-2026	2,190,000	1,180,211	3,370,211
2027-2031	2,720,000	638,352	3,358,352
2032-2033	1,320,000	63,413	1,383,413
Total	\$ 9,510,000	\$ 5,408,484	\$ 14,918,484

2008 General Obligation Bonds

In 2008, the District issued \$15,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 355,000	\$ 506,874	\$ 861,874
2013	380,000	486,374	866,374
2014	390,000	470,011	860,011
2015	415,000	452,905	867,905
2016	425,000	435,055	860,055
2017-2021	2,250,000	1,907,486	4,157,486
2022-2026	2,630,000	1,406,338	4,036,338
2027-2031	3,255,000	756,728	4,011,728
2032-2033	1,550,000	74,575	1,624,575
Total	\$ 11,650,000	\$ 6,496,346	\$ 18,146,346

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2010 General Obligation Bonds

On March 12, 2009, the District issued Series B General Obligation Bonds in the amount of \$35,000,000. The Bonds require annual principal payments through 2040, plus interest. Annual interest rates for these General Obligation Bonds range from 2.5% to 5%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 455,000	\$ 1,803,663	\$ 2,258,663
2013	470,000	1,790,963	2,260,963
2014	485,000	1,778,419	2,263,419
2015	490,000	1,761,950	2,251,950
2016	520,000	1,741,750	2,261,750
2017-2021	3,095,000	8,334,050	11,429,050
2022-2026	4,035,000	7,478,934	11,513,934
2027-2031	5,105,000	6,367,819	11,472,819
2032-2036	9,230,000	4,557,938	13,787,938
2037-2040	10,975,000	1,276,453	12,251,453
Total	\$ 34,860,000	\$ 36,891,939	\$ 71,751,939

2010 General Obligation Refunding Bonds

In fiscal year 2009-10, the District issued \$6,810,000 of General Obligation Refunding Bonds. The 2010 General Obligation Refunding Bonds require annual principal payments through August 2023, plus interest. Annual interest rates for these General Obligation Bonds range from 2.0% to 5.0%. The Bonds were sold to refinance the 1995 Election, Series D Bond which was issued in the principal amount of \$10,000,000. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 425,000	\$ 271,550	\$ 696,550
2013	430,000	263,050	693,050
2014	445,000	250,150	695,150
2015	460,000	236,800	696,800
2016	470,000	223,000	693,000
2017-2021	2,630,000	835,000	3,465,000
2022-2024	1,890,000	186,375	2,076,375
Total	\$ 6,750,000	\$ 2,265,925	\$ 9,015,925

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation

A summary of the District's certificates of participation is shown below:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2010	Additions	Deletions	Outstanding June 30, 2011	Due Within One Year
October 7, 1998	August 25, 2024	3.75% - 4.70%	\$ 11,720,000	\$ 8,325,000	\$ -	\$ 410,000	\$ 7,915,000	\$ 425,000
January 11, 2001	September 1, 2016	3.50% - 4.40%	3,000,000	1,555,000	-	195,000	1,360,000	205,000
December 10, 2009	September 1, 2034	3.75% - 6.20%	33,895,000	33,895,000	-	-	33,895,000	-
July 20, 2010	June 1, 2035	3.00% - 5.00%	20,510,000	-	20,510,000	-	20,510,000	325,000
			\$ 69,125,000	\$ 43,775,000	\$ 20,510,000	\$ 605,000	\$ 63,680,000	\$ 955,000

The annual requirements to amortize the certificates of participation are as follows:

In October 1998, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of \$11,720,000, with interest rates of 3.75% to 4.40%.

Year Ended June 30,	Principal	Interest	Total
2012	\$ 425,000	\$ 347,415	\$ 772,415
2013	440,000	329,463	769,463
2014	460,000	310,333	770,333
2015	475,000	290,052	765,052
2016	495,000	268,771	763,771
2017-2021	2,855,000	978,413	3,833,413
2022-2025	2,765,000	261,659	3,026,659
Total	\$ 7,915,000	\$ 2,786,106	\$ 10,701,106

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

In January 2001, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of \$3,000,000, with interest rates of 3.50% to 4.40%.

Year Ended June 30,	Principal	Interest	Total
2012	\$ 205,000	\$ 257,653	\$ 462,653
2013	215,000	259,355	474,355
2014	220,000	255,518	475,518
2015	230,000	256,150	486,150
2016	240,000	256,160	496,160
2017	250,000	255,500	505,500
Total	\$ 1,360,000	\$ 1,540,336	\$ 2,900,336

In December 2009, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of \$33,895,000, with interest rates ranging from 3.75% to 6.2%.

Year Ended June 30,	Principal	Interest	Total
2012	\$ -	\$ 1,940,031	\$ 1,940,031
2013	-	1,940,031	1,940,031
2014	-	1,940,031	1,940,031
2015	-	1,940,031	1,940,031
2016	1,005,000	1,940,031	2,945,031
2017-2021	5,695,000	9,035,176	14,730,176
2022-2026	7,305,000	7,426,588	14,731,588
2027-2031	9,730,000	4,990,900	14,720,900
2032-2035	10,160,000	1,622,230	11,782,230
Total	\$ 33,895,000	\$ 32,775,049	\$ 66,670,049

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

In July 2010, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of \$20,510,000, with interest rates ranging from 3.0% to 5.0%.

Year Ended June 30,	Principal	Interest	Total
2012	\$ 325,000	\$ 928,844	\$ 1,253,844
2013	900,000	919,094	1,819,094
2014	950,000	892,094	1,842,094
2015	1,025,000	854,094	1,879,094
2016	1,325,000	813,094	2,138,094
2017-2021	2,135,000	3,613,056	5,748,056
2022-2026	3,015,000	3,157,269	6,172,269
2027-2031	5,000,000	2,252,750	7,252,750
2032-2035	5,835,000	760,500	6,595,500
Total	\$ 20,510,000	\$ 14,190,795	\$ 34,700,795

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 5,000	\$ 30,000
Stores inventory	-	-	-	41,055	41,055
Restricted					
Educational programs	4,801,464	-	-	1,836,508	6,637,972
Capital projects	-	34,963,439	8,370,505	-	43,333,944
Debt service	-	-	-	5,841,850	5,841,850
Committed					
Deferred maintenance	-	-	-	750,292	750,292
Adult education	-	-	-	2,031,358	2,031,358
Assigned					
Mental Health Reserve	1,414,000	-	-	-	1,414,000
Parcel Tax	495,440	-	-	-	495,440
ADA Reserve	6,152,900	-	-	-	6,152,900
Unassigned					
Reserve for economic uncertainties	2,607,372	-	-	-	2,607,372
Unassigned	788,015	-	-	-	788,015
Total	\$ 16,284,191	\$ 34,963,439	\$ 8,370,505	\$ 10,506,063	\$ 70,124,198

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 10 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Cafeteria Special Revenue Fund	\$ 3,904,215	\$ 4,543,895	\$ (639,680)
Capital Facilities Fund	\$ 3,094,788	\$ 20,931,583	\$ (17,836,795)
Retiree Benefit Fund	\$ 2,400	\$ 304,270	\$ (301,870)
Foundation Private-Purpose Trust Fund	\$ 10,400	\$ 20,719	\$ (10,319)

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Pittsburg Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits	132
Active plan members	798
<u>Total</u>	<u>930</u>
 Number of participating employers	 1

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District’s Governing Board.

The District’s annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

Annual required contribution	\$	1,627,527
Interest on net OPEB obligation		89,408
Adjustment to annual required contribution		(118,099)
<u>Annual OPEB cost (expense)</u>		<u>1,598,836</u>
<u>Contributions made</u>		<u>(767,086)</u>
Increase in net OPEB obligation		831,750
<u>Net OPEB obligation, beginning of the year</u>		<u>1,788,148</u>
<u>Net OPEB obligation, end of the year</u>	\$	<u>2,619,898</u>

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) (continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008-09	\$ 1,627,527	45%	\$ 729,632
2009-10	\$ 1,615,820	34%	\$ 1,788,148
2010-11	\$ 1,598,836	48%	\$ 2,619,898

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2009, the most recent actuarial valuation date, the District had set aside \$300,000 in an irrevocable trust. The actuarial accrued liability (AAL) for benefits was \$13.7 million and the unfunded actuarial accrued liability (UAAL) was \$13.4 million.

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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) (continued)

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated 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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2009
Actuarial Cost Method	Entry age normal
Amortization Method	level percentage of payroll
Remaining amortization period	28 years
Asset Valuation	Unsmoothed market value basis
Actuarial assumptions:	
Investment rate of return	5%
Healthcare cost trend rate	4%

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

A. CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

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

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 2,891,563	100%
2009-10	\$ 2,818,049	100%
2008-09	\$ 2,878,698	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,495,552 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

B. CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

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

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 1,343,982	100%
2009-10	\$ 1,196,747	100%
2008-09	\$ 1,124,426	100%

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

C. Construction Commitments

As of June 30, 2011, the District had commitments with respect to unfinished capital projects to be paid from Proposition Measure E and Measure J bond funds.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The Pittsburg Unified School District participates in two joint powers agreement (JPA) entities, the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, and the Schools' Self Insurance of Contra Costa County (SSICCC) for dental and vision insurance.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Pittsburg Unified School District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the Pittsburg Unified School District and the JPAs are such that neither of the JPAs is a component unit of the District for financial reporting purposes.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 15 – SUBSEQUENT EVENTS

The District issued \$59,999,952 of General Obligation Bonds that were available for delivery on July 14, 2011. The bonds were issued to finance the projects authorized by the voters of the District pursuant to bond authorizations approved in 2006 and 2010. The bonds are dated as of their date of delivery and are issuable as current interest bonds and capital appreciation bonds. Interest on the bonds issued as current interest bonds is payable on March 1 and September 1 of each year, commencing March 1, 2012. The Bonds issued as capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on March 1 and September 1 of each year, commencing September 1, 2011.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**PITTSBURG UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ 38,236,307	\$ 43,588,627	\$ 43,989,872	\$ 401,245
Local sources	7,555,755	7,267,036	7,583,954	316,918
Transfers	198,713	225,166	215,244	(9,922)
Federal sources	5,644,334	9,953,124	9,415,899	(537,225)
Other state sources	15,458,198	16,073,536	19,442,164	3,368,628
Other local sources	4,727,196	4,772,411	5,208,679	436,268
Total Revenues	71,820,503	81,879,900	85,855,812	3,975,912
EXPENDITURES				
Certificated salaries	34,310,901	35,080,823	34,937,948	142,875
Classified salaries	10,328,170	10,583,792	10,738,449	(154,657)
Employee benefits	15,290,352	15,433,308	17,215,311	(1,782,003)
Books and supplies	2,553,034	6,000,379	4,232,601	1,767,778
Services and other operating expenditures	10,319,596	11,874,182	12,036,258	(162,076)
Capital outlay	(1,057)	202,480	86,770	115,710
Other outgo				
Excluding transfers of indirect costs	-	38,416	39,230	(814)
Transfers of indirect costs	(453,874)	(453,874)	-	(453,874)
Total Expenditures	72,347,122	78,759,506	79,286,567	(527,061)
Excess (Deficiency) of Revenues				
Over Expenditures	(526,619)	3,120,394	6,569,245	3,448,851
Other Financing Sources (Uses):				
Transfers in	1,000,000	5,063,602	-	(5,063,602)
Transfers out	(1,897,766)	(6,961,368)	(2,913,155)	4,048,213
Net Financing Sources (Uses)	(897,766)	(1,897,766)	(2,913,155)	(1,015,389)
NET CHANGE IN FUND BALANCE	(1,424,385)	1,222,628	3,656,090	2,433,462
Fund Balance - Beginning	12,628,101	12,628,101	12,628,101	-
Fund Balance - Ending	\$ 11,203,716	\$ 13,850,729	\$ 16,284,191	\$ 2,433,462

**PITTSBURG UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
 EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2009	\$ 300,000	\$ 13,719,382	\$ 13,419,382	2%	\$ 48,440,232	28%

**SUPPLEMENTARY
INFORMATION**

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 2,730,224
Title I, Part A, Program Improvement	84.010	15123	1,439,877
ARRA - Title I - Part A	84.389	15005	401,298
Subtotal Title I, Part A Cluster			4,571,399
Adult Education: Adult Secondary Education	84.002A	13978	33,114
Adult Education: English Literacy and Civics Education	84.002A	14109	112,994
Adult Education: Adult Basic Education and ESL	84.002A	14508	124,635
Title I, Part B, Reading First Program	84.357	14787	19,899
Title II, Part A, Teacher Quality	84.367A	14341	329,968
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	12,580
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	20,555
ARRA - Education Technology State Grants	84.386	15019	14,384
Education Technology State Grants Cluster			34,939
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	415,958
Title IV, Part A, Drug-Free Schools	84.186	14347	30,130
Department of Rehab: Workability II, Transition Partnership Special Education Cluster	84.158	10006	76,730
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,233,452
Part B, Preschool Grants	84.173	13430	34,601
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	550,343
ARRA - Part B, Preschool Grants	84.392	15000	3,418
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	39,421
Subtotal Special Education Cluster			1,861,235
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13923	1,115
Vocational Programs (Carl Perkins Act)	84.048	13924	76,137
ARRA - State Fiscal Stabilization Fund	84.394	24997	981
Education Jobs and Medicaid Assistance Act	84.310	25152	1,618,647
Total U. S. Department of Education			9,320,461
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
Basic School Breakfast	10.553	13390	2,966
National School Lunch Program	10.555	13396	2,988,713
Especially Needy Breakfast	10.553	13526	981,563
Meal Supplements	10.557	N/A	173,156
Subtotal Child Nutrition Cluster			4,146,398
ARRA - Child Nutrition Equipment Assistance Grants	10.579	15006	19,857
USDA Commodities	10.558	13389	240,271
Total U. S. Department of Agriculture			4,406,526
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	20,004
Total U. S. Department of Health & Human Services			20,004
Total Federal Expenditures			\$ 13,746,991

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011**

	Second Period Report	Second Period Report After Audit Finding Adjustments	Annual Report
ELEMENTARY			
Kindergarten	727	727	729
First through third	2,374	2,374	2,373
Fourth through sixth	2,205	2,205	2,202
Seventh through eighth	1,355	1,355	1,347
Home and hospital	5	5	5
Opportunity schools and full-day opportunity classes	21	21	23
Special education	156	156	158
Total Elementary	6,843	6,843	6,837
SECONDARY			
Regular classes	2,226	2,226	2,208
Continuation education	156	156	153
Home and hospital	5	5	6
Opportunity schools and full-day opportunity classes	16	16	16
Special education	165	164	164
Total Secondary	2,568	2,567	2,547
Average Daily Attendance Total	9,411	9,410	9,384

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

Grade Level	1982 - 83	1982 - 83	1986 - 87	1986 - 87	2010-11	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced	Actual Minutes		
Kindergarten	31,500	30,625	36,000	35,000	36,270	180	Complied
Grade 1	48,230	46,890	50,400	49,000	51,615	180	Complied
Grade 2	48,230	46,890	50,400	49,000	51,615	180	Complied
Grade 3	48,230	46,890	50,400	49,000	51,615	180	Complied
Grade 4	51,030	49,613	54,000	52,500	54,035	180	Complied
Grade 5	51,030	49,613	54,000	52,500	54,035	180	Complied
Grade 6	56,464	54,896	54,000	52,500	61,252	180	Complied
Grade 7	56,464	54,896	54,000	52,500	61,252	180	Complied
Grade 8	56,464	54,896	54,000	52,500	61,252	180	Complied
Grade 9	57,580	55,981	64,800	63,000	65,160	180	Complied
Grade 10	57,580	55,981	64,800	63,000	65,160	180	Complied
Grade 11	57,580	55,981	64,800	63,000	65,160	180	Complied
Grade 12	57,580	55,981	64,800	63,000	65,160	180	Complied

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	\$ 78,737,160	\$ 85,855,812	\$ 75,183,791	\$ 78,691,076
Transfers in		-	2,000,000	
Total	78,737,160	85,855,812	77,183,791	78,691,076
Expenditures	74,126,694	79,286,567	73,810,639	75,783,260
Other uses and transfers out	4,211,171	2,913,155	2,584,467	306,289
Total	78,337,865	82,199,722	76,395,106	76,089,549
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ 399,295	\$ 3,656,090	\$ 788,685	\$ 2,601,527
ENDING FUND BALANCE				
	\$ 16,683,486	\$ 16,284,191	\$ 12,628,101	\$ 11,839,416
AVAILABLE RESERVES*				
	\$ 2,470,943	\$ 3,395,387	\$ 8,038,247	\$ 6,813,188
AVAILABLE RESERVES AS A				
PERCENTAGE OF OUTGO	3.2%	4.1%	10.5%	9.0%
LONG-TERM DEBT				
	\$ 168,404,564	\$ 172,266,097	\$ 153,967,284	\$ 121,874,092
AVERAGE DAILY				
ATTENDANCE AT P-2	9,410	9,410	9,079	9,030

The General Fund balance has increased by \$4,444,775 over the past two years. The fiscal year 2011-2012 budget projects a further increase of \$399,295. For a district this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2011-2012 fiscal year. Total long term obligations have increased by \$50,392,005 over the past two years.

Average daily attendance has increased by 380 ADA over the past two years. No change in ADA is anticipated during the 2011-2012 fiscal year.

* Available reserves consist of all unassigned fund balance within the General Fund and the Reserve for Economic Uncertainty.

**PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Special Reserve Fund for Other Than Capital Outlay
FUND BALANCE		
June 30, 2011, Unaudited Actuals	\$ 10,131,291	\$ 6,152,900
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance		
Reclassification for financial statement presentation		
pursuant to the implementation of GASB Statement #54	6,152,900	(6,152,900)
<u>June 30, 2011 Audited Financial Statements</u>	<u>\$ 16,284,191</u>	<u>\$ -</u>

* This audit reclassification is made for financial statement presentation purposes only; pursuant to GASB Statement 54 which, when applied, does not recognize these funds as special revenue fund types. Therefore, the fund balances are consolidated with the General Fund. However, the District is permitted under current state law to account for these funds as a special revenue fund type for interim reporting and budgeting purposes.

**PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,840,876	\$ 197,369	\$ 1,362,245	\$ 755,977	\$ 94,638	\$ 5,841,850	\$ 10,092,955
Accounts receivable	204,643	28,680	267,526	-	-	-	500,849
Due from other funds	-	159	-	-	-	-	159
Stores inventory	-	-	41,055	-	-	-	41,055
Total Assets	\$ 2,045,519	\$ 226,208	\$ 1,670,826	\$ 755,977	\$ 94,638	\$ 5,841,850	\$ 10,635,018
LIABILITIES							
Accrued liabilities	\$ 6,690	\$ 4,617	\$ 17,324	\$ 5,686	\$ 94,638	\$ -	\$ 128,955
Total Liabilities	6,690	4,617	17,324	5,686	94,638	-	128,955
FUND BALANCES							
Non-spendable	5,000	-	41,055	-	-	-	46,055
Spendable							
Restricted							
Educational programs	2,471	221,591	1,612,447	-	-	-	1,836,509
Debt service	-	-	-	-	-	5,841,850	5,841,850
Committed	2,031,358	-	-	750,291	-	-	2,781,649
Total Fund Balances	2,038,829	221,591	1,653,502	750,291	-	5,841,850	10,506,063
Total Liabilities and Fund Balance	\$ 2,045,519	\$ 226,208	\$ 1,670,826	\$ 755,977	\$ 94,638	\$ 5,841,850	\$ 10,635,018

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2011**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES							
Federal sources	\$ 348,588	\$ 618	\$ 4,430,489	\$ -	\$ -	\$ -	\$ 4,779,695
Other state sources	46,769	1,666,386	392,067	-	6,361,588	47,136	8,513,946
Other local sources	130,411	47,248	414,332	3,801	2,190,492	8,176,598	10,962,882
Total Revenues	525,768	1,714,252	5,236,888	3,801	8,552,080	8,223,734	24,256,523
EXPENDITURES							
Current							
Instruction	1,571,067	1,173,237	-	-	-	-	2,744,304
Instruction-related services							
School site administration	663,482	297,354	-	-	-	-	960,836
Pupil services							
Food services	-	25,834	4,491,455	-	-	-	4,517,289
All other pupil services	13,049	-	-	-	-	-	13,049
Plant services	328,831	169,990	52,440	269,857	-	-	821,118
Facilities acquisition and maintenance	3,770	-	-	35,840	8,893,436	-	8,933,046
Debt service							
Principal	-	-	-	-	-	2,425,000	2,425,000
Interest and other	-	-	-	-	-	4,841,998	4,841,998
Total Expenditures	2,580,199	1,666,415	4,543,895	305,697	8,893,436	7,266,998	25,256,640
Excess (Deficiency) of Revenues							
Over Expenditures	(2,054,431)	47,837	692,993	(301,896)	(341,356)	956,736	(1,000,117)
Other Financing Sources (Uses)							
Transfers in	2,408,468	-	-	-	-	-	2,408,468
Net Financing Sources (Uses)	2,408,468	-	-	-	-	-	2,408,468
NET CHANGE IN FUND BALANCE	354,037	47,837	692,993	(301,896)	(341,356)	956,736	1,408,351
Fund Balance - Beginning	1,684,792	173,754	960,509	1,052,187	341,356	4,885,114	9,097,712
Fund Balance - Ending	\$ 2,038,829	\$ 221,591	\$ 1,653,502	\$ 750,291	\$ -	\$ 5,841,850	\$ 10,506,063

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2011**

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2011 or federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2011.

	CFDA	
	Number	Amount
	<hr/>	
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 14,195,594
ARRA: State Fiscal Stabilization Fund (SFSF)	84.394	(428,875)
Medi-Cal Billing Option	93.778	4,852
ARRA - Child Nutrition Equipment Assistance Grants	10.579	(23,963)
Child Development: Quality Improvement Activities	93.778	(617)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<hr/> \$ 13,746,991 <hr/>

B. Schedule of Average Daily Attendance (ADA)

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

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 offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2011**

NOTE 1 – PURPOSE OF SCHEDULES, continued

D. Schedule of Financial Trends and Analysis

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

E. Schedule of Annual Financial and Budget Report with Audited Financial Statements

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

F. Combining Statements – Non-Major Governmental Funds

These statements provide information on the District's non-major funds.

G. Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

We have audited the financial statements of Pittsburg Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Pittsburg Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pittsburg Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We 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 accompany schedule of findings and questioned costs as item #2011-1 that we consider to be significant deficiencies 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 Pittsburg Unified 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pittsburg Unified School District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit Pittsburg Unified School District's responses and, accordingly, we express no opinion on them.

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

Chintalata Accountancy Corporation

San Diego, California

December 7, 2011

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

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

Compliance

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Pittsburg Unified 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 each of its major federal programs is the responsibility of Pittsburg Unified School District's management. Our responsibility is to express an opinion on Pittsburg Unified 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 Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pittsburg Unified School District's compliance with those requirements.

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

Internal Control over Compliance

Management of Pittsburg Unified 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 Pittsburg Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Chint White *Accountancy Corporation*

San Diego, California
December 7, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Pittsburg Unified School District
 Pittsburg, California

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Pittsburg Unified School District's management. Our responsibility is to express an opinion on Pittsburg Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pittsburg Unified School District's compliance with the state laws and regulations referred to above.

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

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

SAN DIEGO

RANCHO CUCAMONGA

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (including in 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	Yes
After school	4	Yes
Before school	5	Yes
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Not Applicable

In our opinion, Pittsburg Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11* and which are reported in the accompanying Schedule of Audit Findings and Questioned Costs as items #2011-2 and #2011-3.

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

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

Christ White
 San Diego, California
 December 7, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>10.553, 10.555, 10.557</u>	<u>Child Nutrition Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</u>
<u>84.027, 84.027A, 84.173, 84.391, 84.392</u>	<u>IDEA Cluster, including ARRA</u>
<u>84.365</u>	<u>Title III, LEP Student Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 412,410</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

**PITTSBURG UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

FIVE DIGIT CODE

30000

AB 3627 FINDING TYPE

Internal Control

FINDING #2011-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Internal controls should be implemented to minimize the possibility for waste or abuse of Associated Student Body (ASB) resources.

Condition: We found the following internal control deficiencies during the audit of the following ASB organizations:

Los Medanos Elementary:

2 out of 5 cash receipts tested did not have adequate supporting documentation reconciling money received to items sold. One deposit for \$1,165 was from a library book fair, but there was no cash receipts or sales analysis maintained as support for sales. The other deposit for \$2,273 was for a raffle for which there was no ticket log maintained to support money received to the number of tickets sold. Raffles, or games of chance, are not allowable per Student Funds regulations. The raffle included selling tickets for a limited number of prizes.

Pittsburg High School:

Three out of 8 cash receipts did not contain adequate supporting documentation to reconcile money received to items sold. Two of those receipts were from concession stands at athletic events for which there were no receipts, sales analysis/worksheet, or tally sheet supporting sale revenue totaling \$2,012.36. The other receipt was from money received from a Club Carnival fundraiser for which there was also a lack of support – no sales analysis or documentation as to number of items sold or prices in the amount of \$225.

Cause: Inadequate support for cash receipts and unallowable activities.

Effect or Potential Effect: Abuse within the District's ASB organizations.

Perspective: A sample of cash receipts selected at two of the District's ASB organizations.

Recommendation: We recommend that the District provide training to ASB staff and implement controls to address the internal deficiencies noted above.

District Response: The District provided FCMAT training in ASB Management in April, 2011. The District will continue to provide training each year for all staff involved in ASB accounts.

**PITTSBURG UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no federal award findings or questioned costs for the year ended June 30, 2011.

**PITTSBURG UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FIVE DIGIT CODE

10000

40000

AB 3627 FINDING TYPE

Attendance

State Compliance

FINDING #2011-2: ATTENDANCE ACCOUNTING (10000)

Criteria: Regular class attendance submitted to the California Department of Education should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (California Education Code Section 46000 et seq.). Auditors are required to verify compliance in Section 19817.1 of the Standards and Procedures for Audits of California K-12 Local Educational Agencies.

Condition: We noted attendance discrepancies as follows:

Rancho Medanos Junior High

1 out of 20 absent notes tested was incorrectly marked as present in the attendance system. The note was to excuse a student for a 4 day absence, but student was only marked absent for one day. The District overstated attendance by 3 days.

Pittsburg Independent Study:

2 out of 10 students tested had apportionment credit overstated in the attendance system when compared to attendance per teacher signed weekly summaries. 13 total days of attendance overstatement in the system resulted from these inconsistencies.

Questioned Costs: 16 attendance days were overstated as tested (0.11 ADA). There were 145 days in the District's P-2 reporting period and the District's Base Revenue Limit is \$6,521.29. Therefore, the fiscal impact of the ADA overstatement is \$720 calculated as follows: (16 days/145 days in P-2 reporting period * \$6,521.29). The District has revised P-2 to reflect this change.

Cause: There were inconsistencies between the attendance system and source documents resulting in overstatement of attendance in the 2010-11 school year.

Effect: The District is out of compliance with the State's requirements regarding attendance reporting.

Recommendation: The District should provide training to site attendance personnel.

District Response: On-site training was provided in spring, 2011. The District will provide continued training to site attendance personnel.

**PITTSBURG UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING #2011-3: AFTER SCHOOL EDUCATION AND SAFETY (ASES) PROGRAM ATTENDANCE (40000)

Criteria: Education Code 8482.3 requires districts applying for ASES funding to follow all fiscal reporting and accounting requirements of the California Department of Education. The auditor is to verify the District has maintained proper controls over the ASES program to ensure that amounts recorded for reporting to the state are accurate.

Condition: In the testing of the number of students served in the After School programs that was submitted to the State, we found that attendance records for the first half of the reporting period did not reconcile to the District's monthly summary report for Parkside Elementary afterschool program by 22 understated pupils and Willow Cove afterschool program by 29 overstated pupils, thus a net difference of 7 overstated pupils. Then, we tested the district's monthly summaries for the month of October for Willow Cove Elementary, Los Medanos Elementary, and Rancho Medanos Middle School. We noted that there was an overstatement of pupil attendance of 1, 1, and 10 days, respectively for the afterschool program attendance.

In the testing of the number of students served in the Before School programs that was submitted to the State, we found that attendance records for the first half of the reporting period did not reconcile to the District's monthly summary report for Rancho Medanos Middle School before school program by 899 overstated pupils and Hillview Middle School by 682 overstated pupils. Then, we tested the district's monthly summaries for the month of October for Rancho Medanos Middle School. We noted that there was an understatement of pupil attendance of 2 days before school program attendance.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is 85% of the projected attendance or greater. Since the finding noted a net over reporting of 19 student days of attendance for after school and 1,579 student days of attendance for before school, program attendance did not fall below 85% of the projected attendance, therefore there is no questioned cost.

Cause: Insufficient controls over attendance reporting.

Effect: Incorrect attendance being reported on the report submitted to the state. The District may not meet their participation threshold of a minimum of 85% of attendance should material errors result in the future.

Recommendation: We recommend that the District perform monthly reconciliations of manual sign-in sheets and system detail reports to ensure that the correct numbers of students are being recorded for attendance reporting purposes.

District Response: Staff has implemented monthly reconciliations of manual sign-in sheets and systems detail reports.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Audit Finding #2010-1: Associated Student Body Internal Controls (30000)

Internal controls should be implemented to minimize the possibility for waste or abuse of Associated Student Body (ASB) resources. We found the following internal control deficiencies during the audit of the following ASB organizations:

Pittsburg High School

- The student treasurer of the ASB is an authorized signor of the account.
- Three of five cash receipts tested lacked supporting documentation, such as tally sheets to indicate the amount of items sold and the price of those items. The events for these proceeds include concession sales and fundraisers for an aggregate total of \$991.

Hillview Junior High

- Two of five cash receipts tested lacked supporting documentation, such as pre-numbered ticket or tally sheets to indicate the amount of items sold and the price of those items. The events for these proceeds include dance ticket sales and avid refreshment sales for an aggregate total of \$241.

Recommendation: We recommend that the District provide training to ASB staff and implement controls to address the internal deficiencies noted above in the area of cash receipts

Current Status: Partially implemented, see Finding #2011-1.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Year Audit Finding #2010-2: Accounts Payable vs. Purchasing Function (30000)

We noted the District does not have a separate department devoted to purchasing functions. Currently, the Accounts Payable Department sets up new vendors and makes payments, creating a lack of segregation of duties. The Finance Director is aware of the issue and has been evaluating options to correct. The lack of segregation of duties could cause fictitious vendors to be setup and fraudulent payments to be made.

Recommendation: We recommend that the District segregate the vendor set-up function to an individual who is separate from the accounts payable area. Vendor set-up ability should be a function of the purchasing department.

Current Status: Implemented.

Prior Year Audit Finding #2010-3: Revolving Cash Fund (30000)

We found that cash disbursements from the revolving cash account do not always contain the proper approvals, supporting documentation is not always maintained properly, and that the bank reconciliation is not being done on a timely basis. Specifically, 2 of 10 or 20% of items tested did not have a requisition form to document proper approval of expenditures. Also, the June 2011 reconciliations for the General Fund and Adult Education Fund were reconciled in late October 2011. There is potential for misuse of funds and increase likelihood for fraud.

Recommendation: We recommend that the District use requisition forms to document the approval of all expenditures from the revolving cash accounts and that supporting documentation is maintained. We also recommend that the account is reconciled on a monthly basis and reviewed by management.

Current Status: Implemented.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Year Audit Finding #2010-4: Expenditure Testing (30000)

Pre-approval of expenditures is an important function that helps the District ensure that they are within their spending limits. During the expenditure testing, we noted 7 of 72 expenditures tested had purchase orders dated after the invoice date. Two of the expenditures were related to Measure J Bond, one related to Child Nutrition, one related to Deferred Maintenance, one related to Capital Facilities, one related to County School Facilities, and one related to the General fund for IDEA program.

Recommendation: We recommend that the District establishes purchase orders prior to payment of all vendors by ensuring purchase requisitions are approved, budgeted funds are sufficient and final purchase order is signed and distributed to all affected parties. Blanket purchase orders may be implemented at the beginning of the year for frequently used vendors.

Current Status: Implemented.

Prior Year Audit Finding #2010-5: Closing Procedures over Financial Statements (30000) (Material Weakness)

We found in our audit of the District's financial statements that all accounts were not fully analyzed for the fiscal year ended June 30, 2011. The District issued a certificate of participation (COP) in the fiscal year 2009-10 in the principal amount of \$33,895,000 plus a discount of \$647,040.

Recommendation: We recommend that the District reviews CSAM Procedure 720 to account for any issuances of certificate of participations.

Current Status: Implemented.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Year Audit Finding #2010-6: After School Education and Safety (ASES) Program Attendance (40000)

Criteria: Education Code 8482.3 requires districts applying for ASES funding to follow all fiscal reporting and accounting requirements of the California Department of Education. The auditor is to verify the district has maintained proper controls over the ASES program to ensure that amounts recorded for reporting to the state are accurate.

Condition: In the testing the number of students served in the After School and Before School programs that were submitted to the State, we found that attendance records for the second half of the reporting period was not retained during January and February 2011. In addition, we found in our testing of the Before School program for Hillview Junior High School was overstated by 6 additional pupils in the second half of the reporting period out of 10 days tested. Also, we found in our testing of the After School program for Heights Elementary was overstated by 15 pupils in our 10 days of testing; Parkside Elementary was overstated by 92 pupils in our 10 days of testing; and Hillview Junior High was overstated by 47 pupils in our 10 days of testing.

Questioned Costs: None. Despite the errors found, the District appears to have met the minimum participation levels for full funding.

Cause: Insufficient controls over attendance reporting.

Effect: Incorrect attendance being reported on the report submitted to the state. The District may not meet their participation threshold of a minimum of 85% of attendance should material errors result in the future.

Recommendation: We recommend that the District perform monthly reconciliations of manual sign-in sheets and system detail reports to ensure that the correct numbers of students are being recorded for attendance reporting purposes.

Current Status: Partially implemented, see Finding #2011-3.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Audit Finding #2010-7: Independent Study Attendance (10000)

Criteria: Per California Education Code 51747(b), requires that written records shall be maintained for a period of three years from the date of the evaluation. Also, per California Education Code 51747(c)(1), the current written agreement for each independent study pupil shall include the manner, time, frequency, and place for submitting a pupil's assignments and for the reporting his or her progress.

Condition: At Pittsburg Independent Learning Center, we found 2 of 10 students are missing assignments sheets during the written contract period. Also, we found that 8 of 10 pupils tested appeared to be receiving attendance credit before and after the contract date, or even before the weekly assignments are turned in.

Questioned Costs: None. The District excluded the 44 days or 0.34 ADA from the school site subsequent to our audit and revised the P2 attendance report. The auditor verified this corrective action.

Cause: Lack of program requirements knowledge at the school site. Also, District policies and procedures regarding attendance have not been communicated to those with responsibility for managing attendance.

Effect: The District lost ADA associated with independent study pupils at the school site.

Recommendation: The District should improve internal controls over compliance at the school site to ensure that independent study agreements are properly accounted for.

Current Status: Implemented.