

PITTSBURG UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2012



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

PITTSBURG, CALIFORNIA

JUNE 30, 2012

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. Laura Canciamilla	Vice President	November 2012
Dr. William Wong	Trustee	November 2014
Mr. Vincent Ferrante	Trustee	November 2014
Mr. George Miller	Trustee	November 2012

DISTRICT ADMINISTRATORS

Ms. Linda Rondeau
Superintendent

Mr. Enrique Palacios
Deputy 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

* The fifth board member position is currently vacant.

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy

Governing Board
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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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. 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 Pittsburg Unified School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of 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.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 3 through 9, the budgetary comparison information on page 53, and the schedule of funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Christy White Associates

San Diego, California
December 10, 2012

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

INTRODUCTION

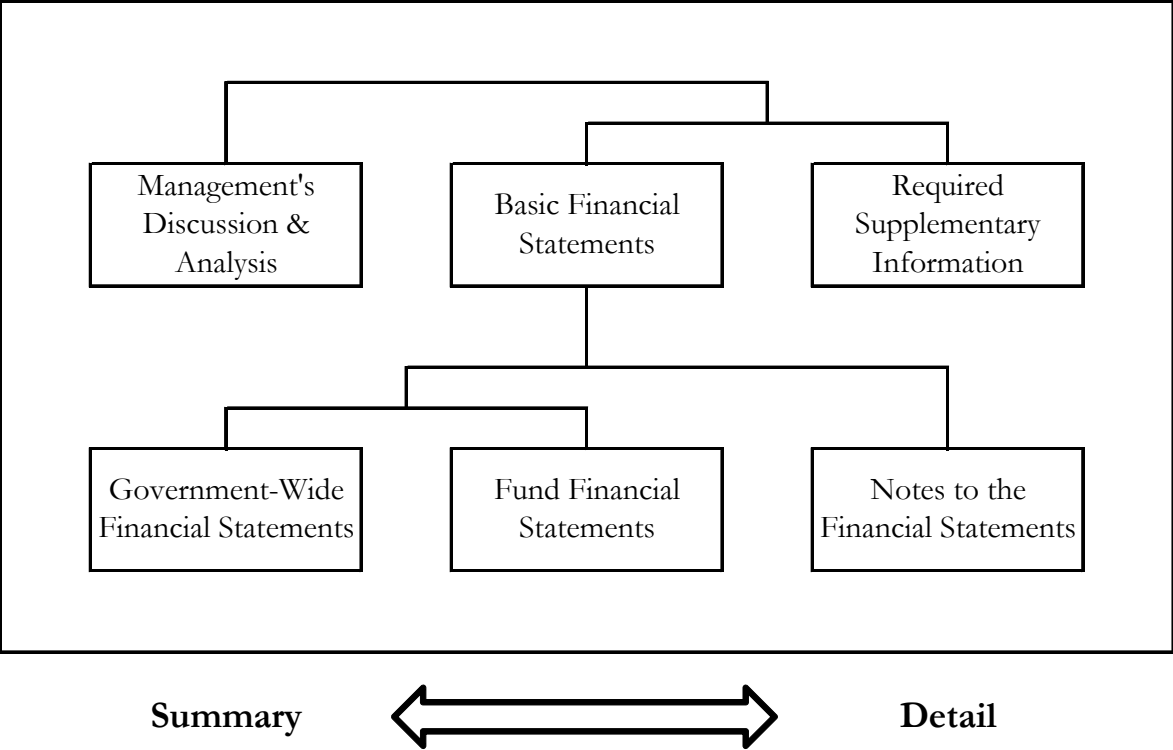
Our discussion and analysis of Pittsburgh Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total net assets were \$145,093,087 at June 30, 2012. This was an increase of \$236,000 from the prior year.
- ▶ Overall revenues were \$115,511,382 which exceeded expenses of \$115,275,382.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's net assets were \$145,093,087 at June 30, 2012, as reflected below. Of this amount, \$13,299,984 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

	Governmental Activities		
	2012	2011	Net Change
ASSETS			
Current and other assets	\$ 71,452,458	\$ 75,492,513	\$ (4,040,055)
Capital assets	288,931,049	247,240,124	41,690,925
Total Assets	360,383,507	322,732,637	37,650,870
LIABILITIES			
Current liabilities	22,863,274	9,470,986	(13,392,288)
Long-term liabilities	192,427,146	168,404,564	(24,022,582)
Total Liabilities	215,290,420	177,875,550	(37,414,870)
NET ASSETS			
Invested in capital assets, net of related debt	100,119,542	78,241,209	21,878,333
Restricted	31,673,561	55,813,767	(24,140,206)
Unrestricted	13,299,984	10,802,111	2,497,873
Total Net Assets	\$145,093,087	\$144,857,087	\$ 236,000

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2012	2011	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 765,408	\$ 719,588	\$ 45,820
Operating grants and contributions	33,812,756	28,586,943	5,225,813
Capital grants and contributions	2,579,010	6,407,692	(3,828,682)
General revenues			
Property taxes	21,973,349	19,256,598	2,716,751
Unrestricted federal and state aid	55,595,398	57,037,293	(1,441,895)
Other	785,461	960,223	(174,762)
Total Revenues	115,511,382	112,968,337	2,543,045
EXPENSES			
Instruction	58,668,458	56,825,069	1,843,389
Instruction-related services	9,983,550	8,991,576	991,974
Pupil services	9,812,231	9,136,617	675,614
General administration	5,063,042	4,540,923	522,119
Plant services	11,968,938	9,749,484	2,219,454
Ancillary and community services	334,326	274,721	59,605
Debt service	8,024,515	8,239,996	(215,481)
Other Outgo	740,660	543,103	197,557
Depreciation	10,679,662	4,360,561	6,319,101
Total Expenses	115,275,382	102,662,050	12,613,332
Change in net assets	236,000	10,306,287	(10,070,287)
Net Assets - Beginning	144,857,087	134,550,800	10,306,287
Net Assets - Ending	\$145,093,087	\$144,857,087	\$ 236,000

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The cost of all our governmental activities this year was \$115,275,382. The amount that our taxpayers ultimately financed for these activities through taxes was only \$21,973,349 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	<u>Total cost of services</u>	<u>Net cost of services</u>
Instruction	\$ 58,668,458	\$ 33,942,001
Instruction-related services	9,983,550	7,555,987
Pupil services	9,812,231	3,164,615
General administration	5,063,042	4,258,714
Plant services	11,968,938	11,634,841
Ancillary and community services	334,326	334,326
Debt service	8,024,515	8,024,515
Transfers to other agencies	740,660	(1,476,453)
Depreciation	10,679,662	10,679,662
Total Expenses	<u>\$ 115,275,382</u>	<u>\$ 78,118,208</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR 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 \$53,678,683, which is less than last year's ending fund balance of \$70,124,198. The District's General Fund had \$5,358,680 more in operating revenues than expenditures for the year ended June 30, 2012.

CURRENT YEAR BUDGET 2011-12

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.

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011-12 the District had invested \$288,931,049 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2012	2011	Net Change
CAPITAL ASSETS			
Land	\$ 1,785,563	\$ 1,785,563	\$ -
Construction in progress	160,594,232	109,642,919	50,951,313
Land improvements	19,802,457	19,290,881	511,576
Buildings & improvements	204,908,184	206,801,211	(1,893,027)
Furniture & equipment	5,311,362	5,113,948	197,414
Accumulated depreciation	(103,470,749)	(95,394,398)	(8,076,351)
Total Capital Assets	\$288,931,049	\$247,240,124	\$ 41,690,925

Long-Term Debt

At year-end, the District had \$197,105,848 in long-term debt, an increase of \$24,839,751 from last year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2012	2011	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 163,734,457	\$ 105,313,092	\$ 58,421,365
Total certificates of participation	28,880,336	63,732,524	(34,852,188)
Compensated absences	474,842	600,583	(125,741)
Net OPEB obligation	4,016,213	2,619,898	1,396,315
Total Long-term Liabilities	\$ 197,105,848	\$ 172,266,097	\$ 24,839,751

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and a rival tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 spending will remain flat at roughly the 2011-12 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 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 2012-13 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any 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, 2012

	Governmental
	Activities
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 31,988,222
Investments	1,343,124
Accounts receivable	35,853,337
Inventory	58,913
Deferred charges	2,208,862
Capital assets, not depreciated	162,379,795
Capital assets, net of accumulated depreciation	126,551,254
Total Assets	<hr/> 360,383,507 <hr/>
LIABILITIES	
Deficit cash	5,117,327
Accrued liabilities	11,586,926
Deferred revenue	1,480,319
Long-term liabilities, current portion	4,678,702
Long-term liabilities, non-current portion	192,427,146
Total Liabilities	<hr/> 215,290,420 <hr/>
NET ASSETS	
Invested in capital assets, net of related debt	100,119,542
Restricted for	
Capital projects	19,067,344
Debt service	7,218,654
Educational programs	5,387,563
Unrestricted	13,299,984
Total Net Assets	<hr/> \$ 145,093,087 <hr/>

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Function/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 58,668,458	\$ 36,476	\$ 22,110,971	\$ 2,579,010		\$ (33,942,001)
Instruction-related services						
Instructional supervision and administration	2,001,429	-	1,307,131	-		(694,298)
Instructional library, media, and technology	604,166	-	135,343	-		(468,823)
School site administration	7,377,955	10,739	974,350	-		(6,392,866)
Pupil services						
Home-to-school transportation	1,359,579	-	505,512	-		(854,067)
Food services	4,752,771	436,752	4,513,866	-		197,847
All other pupil services	3,699,881	378	1,191,108	-		(2,508,395)
General administration						
Centralized data processing	734,503	-	38,132	-		(696,371)
All other general administration	4,328,539	20,641	745,555	-		(3,562,343)
Plant services	11,968,938	195,337	138,760	-		(11,634,841)
Ancillary services	299,170	-	-	-		(299,170)
Community services	35,156	-	-	-		(35,156)
Interest on long-term debt	8,024,515	-	-	-		(8,024,515)
Other Outgo	740,660	65,085	2,152,028	-		1,476,453
Depreciation (unallocated)	10,679,662	-	-	-		(10,679,662)
Total Governmental Activities	\$ 115,275,382	\$ 765,408	\$ 33,812,756	\$ 2,579,010		(78,118,208)
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes						7,353,680
Property taxes, levied for debt service						9,859,468
Property taxes, levied for other specific purposes						4,760,201
Federal and state aid not restricted for specific purposes						55,595,398
Interest and investment earnings						302,895
Miscellaneous						482,566
Subtotal, General Revenue						78,354,208
CHANGE IN NET ASSETS						236,000
Net Assets - Beginning						144,857,087
Net Assets - Ending						\$ 145,093,087

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 25,000	\$ 10,731,191	\$ 8,033,840	\$ 13,198,191	\$ 31,988,222
Investments	1,250,632	92,492	-	-	1,343,124
Accounts receivable	27,619,014	-	7,001,589	1,232,734	35,853,337
Due from other funds	387,329	-	-	1,966,995	2,354,324
Stores inventory	-	-	-	58,913	58,913
Total Assets	\$ 29,281,975	\$ 10,823,683	\$ 15,035,429	\$ 16,456,833	\$ 71,597,920
LIABILITIES					
Deficit cash	\$ 4,883,718	\$ -	\$ -	\$ 233,609	\$ 5,117,327
Accrued liabilities	1,284,731	7,517,853	65,778	98,905	8,967,267
Due to other funds	1,897,925	30,582	38,488	387,329	2,354,324
Deferred revenue	1,470,496	-	-	9,823	1,480,319
Total Liabilities	9,536,870	7,548,435	104,266	729,666	17,919,237
FUND BALANCES					
Nonspendable	25,000	-	-	63,913	88,913
Restricted	3,784,756	3,275,248	14,931,163	12,957,642	34,948,809
Committed	-	-	-	2,666,516	2,666,516
Assigned	9,371,116	-	-	39,096	9,410,212
Unassigned	6,564,233	-	-	-	6,564,233
Total Fund Balances	19,745,105	3,275,248	14,931,163	15,727,167	53,678,683
Total Liabilities and Fund Balances	\$ 29,281,975	\$ 10,823,683	\$ 15,035,429	\$ 16,456,833	\$ 71,597,920

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, 2012**

Total Fund Balance - Governmental Funds \$ 53,678,683

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	\$ 392,401,798	
Accumulated depreciation	<u>(103,470,749)</u>	288,931,049

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:

2,208,862

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 unmatured interest owing at the end of the period was:

(2,619,659)

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:

Total general obligation bonds	\$ 163,734,457	
Total certificates of participation	28,880,336	
Compensated absences	474,842	
Net OPEB obligation	<u>4,016,213</u>	(197,105,848)

Total Net Assets - Governmental Activities \$ 145,093,087

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 BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources					
State aid	\$ 45,739,064	\$ -	\$ -	\$ -	\$ 45,739,064
Local sources	7,353,680	-	-	-	7,353,680
Transfers	185,087	-	-	-	185,087
Federal sources	7,479,261	-	-	5,382,024	12,861,285
Other state sources	19,418,061	-	-	2,205,302	21,623,363
Other local sources	5,408,334	113,321	11,685,631	10,541,617	27,748,903
Total Revenues	85,583,487	113,321	11,685,631	18,128,943	115,511,382
EXPENDITURES					
Current					
Instruction	54,493,068	-	-	2,947,264	57,440,332
Instruction-related services					
Instructional supervision and administration	2,001,429	-	-	-	2,001,429
Instructional library, media, and technology	604,166	-	-	-	604,166
School site administration	6,430,599	-	-	1,055,357	7,485,956
Pupil services					
Home-to-school transportation	1,359,579	-	-	-	1,359,579
Food services	5	-	-	5,231,037	5,231,042
All other pupil services	3,684,249	-	-	15,632	3,699,881
General administration					
Centralized data processing	734,503	-	-	-	734,503
All other general administration	3,651,499	-	400	387,383	4,039,282
Plant services	6,716,718	-	14,158	559,456	7,290,332
Facilities acquisition and maintenance	172,585	48,469,270	3,522,533	4,545,342	56,709,730
Ancillary services	299,170	-	-	-	299,170
Community services	35,156	-	-	-	35,156
Transfers to other agencies	42,081	-	-	-	42,081
Debt service					
Principal	-	-	955,000	2,870,000	3,825,000
Interest and other	-	300,000	1,330,501	6,488,598	8,119,099
Total Expenditures	80,224,807	48,769,270	5,822,592	24,100,069	158,916,738
Excess (Deficiency) of Revenues					
Over Expenditures	5,358,680	(48,655,949)	5,863,039	(5,971,126)	(43,405,356)
Other Financing Sources (Uses)					
Transfers In	-	-	-	1,966,836	1,966,836
Other Sources	-	51,961,779	8,038,173	854,889	60,854,841
Transfers Out	(1,897,766)	(30,582)	(38,488)	-	(1,966,836)
Other Uses	-	-	(33,895,000)	-	(33,895,000)
Net Financing Sources (Uses)	(1,897,766)	51,931,197	(25,895,315)	2,821,725	26,959,841
NET CHANGE IN FUND BALANCE	3,460,914	3,275,248	(20,032,276)	(3,149,401)	(16,445,515)
Fund Balance - Beginning	16,284,191	-	34,963,439	18,876,568	70,124,198
Fund Balance - Ending	\$ 19,745,105	\$ 3,275,248	\$ 14,931,163	\$ 15,727,167	\$ 53,678,683

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 BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Governmental Funds \$ (16,445,515)

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:	\$ 52,659,844	
Depreciation expense:	<u>(10,679,662)</u>	41,980,182

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:

37,720,000

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:

(60,854,841)

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:	\$ 300,000	
Issue costs amortized for the period:	<u>(792,281)</u>	(492,281)

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:

(289,257)

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, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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:

322,622

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(528,038)

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:

125,741

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:

(1,396,315)

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:

93,702

Change in Net Assets of Governmental Activities

\$ 236,000

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012**

	Trust Funds		Agency Funds
	Retiree Benefit Fund	Private-Purpose Trust Fund	Student Body Fund
ASSETS			
Cash and cash equivalents	\$ 497,528	\$ 92,395	\$ 374,013
Total Assets	497,528	92,395	\$ 374,013
LIABILITIES			
Due to student groups	-	-	\$ 374,013
Total Liabilities	-	-	\$ 374,013
NET ASSETS			
Restricted	497,528	92,395	
Total Net Assets	\$ 497,528	\$ 92,395	

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, 2012**

	Trust Funds	
	Retiree Benefit Fund	Private-Purpose Trust Fund
ADDITIONS		
Investment earnings	\$ 132	\$ 400
Other	-	3,000
Total Additions	132	3,400
DEDUCTIONS		
Other trust activities	4,104	13,267
Total Deductions	4,104	13,267
CHANGE IN NET ASSETS	(3,972)	(9,867)
Net Assets - Beginning	501,500	102,262
Net Assets - Ending	\$ 497,528	\$ 92,395

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The 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).

The District operates under a locally elected 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.

B. Component Units

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 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Component Units (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, 2012

C. Basis of Presentation

Government-Wide Statements: The statement of net assets and the statement of activities display information about the primary government (the District). 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 District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

C. Basis of Presentation (*continued*)

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. 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 the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District 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 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 District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

Non-Major Governmental Funds

Special Revenue 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]*).

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 the District 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*).

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Special Revenue Funds (*continued*)

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 shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District'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.*).

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*).

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

C. Basis of Presentation (*continued*)

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 District'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 from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

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 District'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*).

D. 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-type activities of the District follow the FASB and AICPA pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue

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

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.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Fund Balance and Net Assets

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

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

Inventories

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.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

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 Statement 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>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

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 recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

E. Assets, Liabilities, Fund Balance and Net Assets (*continued*)

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, compensated absences 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 other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the 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.

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.

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.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

E. Assets, Liabilities, Fund Balance and Net Assets (*continued*)

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.

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. 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.

F. 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 in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Estimates

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

H. 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 not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total	
	Governmental	Fiduciary
	Activities	Funds
	<u> </u>	<u> </u>
Cash in county	\$ 28,024,663	\$ 589,923
Cash on hand and in banks	5,107	374,013
Cash with fiscal agent	3,928,452	-
Cash in revolving fund	30,000	-
Total cash and cash equivalents	\$ 31,988,222	\$ 963,936
	<u> </u>	<u> </u>
Investments	\$ 1,343,124	\$ 66,432
	<u> </u>	<u> </u>

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 County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Contra Costa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

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 the investment types permitted by California Government Code.

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

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 value of \$1,409,979 and an amortized book value of \$1,409,556.

Cash with Fiscal Agent - Cash with Fiscal Agent represents \$3,928,452 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 Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$28,640,339 and an amortized book value of \$28,614,586. The average weighted maturity for this pool is 178 days.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

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 investments in the County Treasury are not required to be rated. As of June 30, 2012, the pooled investments in the County Treasury were rated AAAf/S1+ by Standard and 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 2,499,649	\$ -	\$ 1,193,139	\$ 3,692,788
State Government				
Apportionment	19,699,444	-	-	19,699,444
Categorical aid	3,065,168	-	39,595	3,104,763
Lottery	560,119	-	-	560,119
Local Government				
Other Local Sources	1,794,634	7,001,589	-	8,796,223
Total	\$ 27,619,014	\$ 7,001,589	\$ 1,232,734	\$ 35,853,337

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 4 – CAPITAL ASSETS

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

	Balance			Balance
	July 01, 2011	Additions	Deletions	June 30, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,785,563	\$ -	\$ -	\$ 1,785,563
Construction in progress	109,642,919	52,462,430	1,511,117	160,594,232
Total Capital Assets not Being Depreciated	111,428,482	52,462,430	1,511,117	162,379,795
Capital assets being depreciated				
Land improvements	19,290,881	511,576	-	19,802,457
Buildings & improvements	206,801,211	999,541	2,892,568	204,908,184
Furniture & equipment	5,113,948	197,414	-	5,311,362
Total Capital Assets Being Depreciated	231,206,040	1,708,531	2,892,568	230,022,003
Less Accumulated Depreciation				
Land improvements	17,477,392	323,371	-	17,800,763
Buildings & improvements	73,862,750	10,084,731	2,603,311	81,344,170
Furniture & equipment	4,054,256	271,560	-	4,325,816
Total Accumulated Depreciation	95,394,398	10,679,662	2,603,311	103,470,749
Governmental Activities				
Capital Assets, net	\$ 247,240,124	\$ 43,491,299	\$ 1,800,374	\$ 288,931,049

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

	Due To Other Funds	Due From Other Funds		
		General Fund	Non-Major Governmental Funds	Total
General Fund		\$ -	\$ 1,897,925	\$ 1,897,925
Building Fund		-	30,582	30,582
Capital Facilities Fund		-	38,488	38,488
Non-Major Governmental Funds		387,329	-	387,329
Total Due From Other Funds		\$ 387,329	\$ 1,966,995	\$ 2,354,324

Due from the General Fund to the Adult Education Fund for Tier III Categoricals.	\$ 1,897,766
Due from the General Fund to the Child Development Fund for donations.	159
Due from the Adult Education Fund to the General Fund for indirect costs.	101,426
Due from the Child Development Fund to the General Fund for indirect costs.	74,452
Due from the Cafeteria Fund to the General Fund for indirect costs.	211,451
Due from the Building Fund to the County School Facilities Fund for project expenditures.	30,582
Due from the Capital Facilities Fund to the Special Reserve Fund for Capital Outlay for solar projects.	38,488
Total	\$ 2,354,324

B. Operating Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following:

	Interfund Transfers Out	Interfund Transfers In	
		Non-Major Governmental Funds	Total
General Fund		\$ 1,897,766	\$ 1,897,766
Building Fund		30,582	30,582
Capital Facilities Fund		38,488	38,488
Total Interfund Transfers		\$ 1,966,836	\$ 1,966,836

Transfer from the General Fund to the Adult Education Fund for Tier III Categoricals.	\$ 1,897,766
Transfer from the Building Fund to the County School Facilities Fund for project expenditures.	30,582
Transfer from the Capital Facilities Fund to the Special Reserve Fund for Capital Outlay for solar projects.	38,488
Total	\$ 1,966,836

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 11,054	\$ -	\$ -	\$ -	\$ -	\$ 11,054
Construction	-	5,708,907	-	-	-	5,708,907
Vendors payable	1,273,677	1,808,946	65,778	98,905	-	3,247,306
Unmatured interest	-	-	-	-	2,619,659	2,619,659
Total	\$ 1,284,731	\$ 7,517,853	\$ 65,778	\$ 98,905	\$ 2,619,659	\$ 11,586,926

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 1,203,948	\$ -	\$ 1,203,948
State categorical sources	12,365	9,823	22,188
Other deferrals	254,183	-	254,183
Total	\$ 1,470,496	\$ 9,823	\$ 1,480,319

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 consisted of the following:

	Balance			Balance		Balance Due
	July 01, 2011	Additions	Deductions	June 30, 2012	In One Year	
Governmental Activities						
General obligation bonds	\$ 104,255,000	\$ 59,999,952	\$ 2,870,000	\$ 161,384,952	\$ 3,030,000	
Unamortized premium	1,058,092	854,889	91,514	1,821,467	91,514	
Accreted interest	-	528,038	-	528,038	-	
Total general obligation bonds	105,313,092	61,382,879	2,961,514	163,734,457	3,121,514	
Certificates of participation	63,680,000	-	34,850,000	28,830,000	1,555,000	
Unamortized premium	52,524	-	2,188	50,336	2,188	
Total certificates of participation	63,732,524	-	34,852,188	28,880,336	1,557,188	
Compensated absences	600,583	-	125,741	474,842	-	
Net OPEB obligation	2,619,898	1,396,315	-	4,016,213	-	
Total	\$ 172,266,097	\$ 62,779,194	\$ 37,939,443	\$ 197,105,848	\$ 4,678,702	

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2012 amounted to \$474,842. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding 6/30/2012*
				Outstanding July 01, 2011	Additions	Deductions	
August 13, 2003	August 1, 2024	3.50% - 4.50%	\$ 8,825,000	\$ 6,195,000	\$ -	\$ 485,000	\$ 5,710,000
March 9, 2005	August 1, 2029	3.50% - 12.00%	17,100,000	15,570,000	-	285,000	15,285,000
August 30, 2005	August 1, 2024	3.40% - 4.375%	8,565,000	7,195,000	-	435,000	6,760,000
June 8, 2006	August 1, 2030	4.00% - 6.00%	13,350,000	12,525,000	-	150,000	12,375,000
September 26, 2007	August 1, 2032	4.00% - 8.00%	10,050,000	9,510,000	-	280,000	9,230,000
September 26, 2007	August 1, 2032	4.00% - 8.00%	15,000,000	11,650,000	-	355,000	11,295,000
March 12, 2009	August 1, 2039	2.50% - 5.00%	35,000,000	34,860,000	-	455,000	34,405,000
February 24, 2010	August 1, 2023	2.00% - 5.00%	6,810,000	6,750,000	-	425,000	6,325,000
July 1, 2011	September 1, 2046	5.50%	59,999,952	-	59,999,952	-	59,999,952
				\$ 104,255,000	\$ 59,999,952	\$ 2,870,000	\$ 161,384,952

* Excludes accreted interest of \$528,038 as of June 30, 2012.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

B. 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
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	590,000	139,455	729,455
2018 - 2022	2,980,000	303,508	3,283,508
Total	\$ 5,710,000	\$ 1,219,221	\$ 6,929,221

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
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	525,000	581,176	1,106,176
2018 - 2022	3,510,000	2,525,176	6,035,176
2023 - 2027	5,325,000	1,594,721	6,919,721
2028 - 2030	4,335,000	302,288	4,637,288
Total	\$ 15,285,000	\$ 7,497,529	\$ 22,782,529

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

B. 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
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	525,000	187,639	712,639
2018 - 2022	2,970,000	538,731	3,508,731
2023 - 2025	1,345,000	71,338	1,416,338
Total	\$ 6,760,000	\$ 1,727,283	\$ 8,487,283

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
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	325,000	513,296	838,296
2018 - 2022	2,455,000	2,300,322	4,755,322
2023 - 2027	4,020,000	1,567,850	5,587,850
2028 - 2031	4,635,000	448,225	5,083,225
Total	\$ 12,375,000	\$ 7,019,277	\$ 19,394,277

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

B. 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
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	335,000	346,934	681,934
2018 - 2022	1,870,000	1,518,586	3,388,586
2023 - 2027	2,280,000	1,083,326	3,363,326
2028 - 2032	2,870,000	509,874	3,379,874
2033	675,000	16,031	691,031
Total	\$ 9,230,000	\$ 4,994,049	\$ 14,224,049

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
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	430,000	417,424	847,424
2018 - 2022	2,305,000	1,815,436	4,120,436
2023 - 2027	2,740,000	1,289,947	4,029,947
2028 - 2032	3,415,000	603,439	4,018,439
2033	795,000	18,881	813,881
Total	\$ 11,295,000	\$ 5,989,472	\$ 17,284,472

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

B. 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
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	555,000	1,720,250	2,275,250
2018 - 2022	3,270,000	8,183,400	11,453,400
2023 - 2027	4,225,000	7,289,341	11,514,341
2028 - 2032	5,370,000	6,083,206	11,453,206
2033 - 2037	10,570,000	4,008,872	14,578,872
2038 - 2040	8,450,000	730,125	9,180,125
Total	\$ 34,405,000	\$ 35,088,276	\$ 69,493,276

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
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	485,000	206,550	691,550
2018 - 2022	2,745,000	721,075	3,466,075
2023 - 2024	1,290,000	93,750	1,383,750
Total	\$ 6,325,000	\$ 1,994,375	\$ 8,319,375

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2011 General Obligation Revenue Bonds

In fiscal year 2011-12, the District issued \$59,999,952 of General Obligation Revenue Bonds. The 2011 General Obligation Revenue Bonds are made up of current interest bonds with principal payments through September 1, 2046, and capital appreciation bonds with maturities through September 1, 2042. Annual interest rates for the current interest bonds are 5.50%. The Bonds were issued to purchase the Election of 2006, Series C and Election 2010, Series A bonds. The Bonds also refunded the District's 2009 Certificates of Participation. The principal balance at June 30, 2012 is \$59,999,952, which excludes accreted interest of \$528,038. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ -	\$ 2,750,000	\$ 2,750,000
2014	-	2,750,000	2,750,000
2015	-	2,750,000	2,750,000
2016	-	2,750,000	2,750,000
2017	-	2,750,000	2,750,000
2018 - 2022	184,529	14,090,471	14,275,000
2023 - 2027	1,138,734	17,411,266	18,550,000
2028 - 2032	2,398,705	21,876,295	24,275,000
2033 - 2037	3,109,761	28,065,239	31,175,000
2038 - 2042	3,081,117	41,668,883	44,750,000
2043 - 2047	50,087,106	9,945,219	60,032,325
Total	\$ 59,999,952	\$ 146,807,373	\$ 206,807,325

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

C. 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, 2011	Additions	Deductions	Outstanding June 30, 2012
October 7, 1998	August 25, 2024	3.75% - 4.70%	\$ 11,720,000	\$ 7,915,000	\$ -	\$ 425,000	\$ 7,490,000
January 11, 2001	September 1, 2016	3.50% - 4.40%	3,000,000	1,360,000	-	205,000	1,155,000
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	-	325,000	20,185,000
				\$ 63,680,000	\$ -	\$ 34,850,000	\$ 28,830,000

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
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	520,000	246,181	766,181
2018 - 2022	2,985,000	845,081	3,830,081
2023 - 2025	2,115,000	148,809	2,263,809
Total	\$ 7,490,000	\$ 2,438,690	\$ 9,928,690

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

C. 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
2013	\$ 215,000	\$ 44,355	\$ 259,355
2014	220,000	35,518	255,518
2015	230,000	26,150	256,150
2016	240,000	16,160	256,160
2017	250,000	5,500	255,500
Total	\$ 1,155,000	\$ 127,683	\$ 1,282,683

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%. These amounts were refunded by the 2011 General Obligation Revenue Bonds.

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
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	735,000	760,094	1,495,094
2018 - 2022	1,875,000	3,530,219	5,405,219
2023 - 2027	3,360,000	3,021,763	6,381,763
2028 - 2032	5,455,000	2,002,750	7,457,750
2033 - 2035	4,560,000	468,750	5,028,750
Total	\$ 20,185,000	\$ 13,261,952	\$ 33,446,952

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2012:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 5,000	\$ 30,000
Stores inventory	-	-	-	58,913	58,913
Total non-spendable	25,000	-	-	63,913	88,913
Restricted					
Educational programs	3,784,756	-	-	56,154	3,840,910
Capital projects	-	3,275,248	14,931,163	4,136,181	22,342,592
Debt service	-	-	-	7,218,654	7,218,654
All others	-	-	-	1,546,653	1,546,653
Total restricted	3,784,756	3,275,248	14,931,163	12,957,642	34,948,809
Committed					
Adult education	-	-	-	1,899,221	1,899,221
Deferred maintenance	-	-	-	767,295	767,295
Total committed	-	-	-	2,666,516	2,666,516
Assigned					
Special reserve	6,156,651	-	-	-	6,156,651
Reserve for mental health	1,400,000	-	-	-	1,400,000
Reserve for litigation	1,000,000	-	-	-	1,000,000
Parcel tax reserve	793,780	-	-	-	793,780
CCCSIG carryover	20,685	-	-	-	20,685
Other assignments	-	-	-	39,096	39,096
Total assigned	9,371,116	-	-	39,096	9,410,212
Unassigned					
Reserve for economic uncertainties	4,724,472	-	-	-	4,724,472
Remaining unassigned	1,839,761	-	-	-	1,839,761
Total unassigned	6,564,233	-	-	-	6,564,233
Total	\$ 19,745,105	\$ 3,275,248	\$ 14,931,163	\$ 15,727,167	\$ 53,678,683

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, 2012

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The 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 of the plan as of the latest actuarial valuation consisted of the following:

Retirees and beneficiaries receiving benefits	197
Active plan members	861
Total	<u>1,058</u>
Number of participating employers	1

B. Funding Policy

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.

As of June 30, 2012, the District has established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors with plan assets of \$662,307.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 accrued liabilities (UAAL) (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 to the Plan:

Annual required contribution	\$ 2,313,260
Interest on net OPEB obligation	130,995
Adjustment to annual required contribution	(170,428)
Annual OPEB cost (expense)	<u>2,273,827</u>
Contributions made	<u>(877,512)</u>
Increase (decrease) in net OPEB obligation	1,396,315
Net OPEB obligation, beginning of the year	2,619,898
Net OPEB obligation, end of the year	<u>\$ 4,016,213</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 2,273,827	39%	\$ 4,016,213
2011	\$ 1,598,836	48%	\$ 2,619,898
2010	\$ 1,615,820	34%	\$ 1,788,148

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 1, 2012	\$ 662,307	\$ 17,186,957	\$ 16,524,650	4%	\$ 53,742,758	31%

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, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	3/1/2012
Actuarial Cost Method	Entry Age
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	29
Asset Valuation	Market Value Basis
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Health care trend rate	4.0%

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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).

California State Teachers' Retirement System (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 2012 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>
2011-12	\$ 3,065,827	100%
2010-11	\$ 2,891,563	100%
2009-10	\$ 2,818,049	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 \$1,585,683 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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 2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 1,470,754	100%
2010-11	\$ 1,343,982	100%
2009-10	\$ 1,196,747	100%

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 12 – 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, 2012.

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, 2012.

C. Construction Commitments

As of June 30, 2012, the District had commitments with respect to unfinished capital projects from its various bond funds.

NOTE 13 – 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. The audited financial statements are generally available from the respective entities.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 14 – SUBSEQUENT EVENTS

In July 2012, the District issued \$25,000,000 in direct payment qualified school construction bonds (QSCB) and \$13,265,000 in refunding bonds. The QSCB's were issued in order to finance the acquisition and construction of educational facilities and projects described in the approved November 7, 2010 ballot measure. The QSCB's have a final maturity of August 1, 2034. The refunding bonds were issued to refund a portion of the District's 2004A Bonds and 2003 Bonds. The refunding bonds have a final maturity of August 1, 2026.

In August 2012, the District issued \$18,003,211 in general obligation bonds in order to finance the acquisition and construction of educational facilities and projects described in the approved November 7, 2010 ballot measure. The bonds consist of both current interest and capital appreciation bonds with a final maturity of August 1, 2052.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**PITTSBURG UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources				
State aid	\$ 43,227,982	\$ 45,356,170	\$ 45,739,064	\$ 382,894
Local sources	7,641,342	7,202,437	7,353,680	151,243
Transfers	229,323	226,498	185,087	(41,411)
Federal sources	5,125,209	7,847,702	7,479,261	(368,441)
Other State sources	14,933,878	15,889,601	17,180,693	1,291,092
Other local sources	7,579,426	7,692,724	5,404,583	(2,288,141)
Total Revenues	78,737,160	84,215,132	83,342,368	(872,764)
EXPENDITURES				
Certificated salaries	34,813,880	36,563,598	37,332,023	(768,425)
Classified salaries	10,257,770	10,239,206	11,454,486	(1,215,280)
Employee benefits	15,987,382	15,994,979	17,040,278	(1,045,299)
Books and supplies	2,883,226	5,404,133	3,969,837	1,434,296
Services and other operating expenditures	10,445,721	11,556,293	9,006,612	2,549,681
Capital outlay	154,173	200,826	283,272	(82,446)
Other outgo				
Excluding transfers of indirect costs	38,416	38,416	42,081	(3,665)
Transfers of indirect costs	(453,874)	(483,874)	(387,383)	(96,491)
Total Expenditures	74,126,694	79,513,577	78,741,206	772,371
Excess (Deficiency) of Revenues				
Over Expenditures	4,610,466	4,701,555	4,601,162	(100,393)
Other Financing Sources (Uses)				
Transfers Out	(4,211,171)	(1,897,766)	(1,897,766)	-
Net Financing Sources (Uses)	(4,211,171)	(1,897,766)	(1,897,766)	-
NET CHANGE IN FUND BALANCE	399,295	2,803,789	2,703,396	(100,393)
Fund Balance - Beginning	10,131,291	10,131,291	10,176,441	45,150
Fund Balance - Ending	\$ 10,530,586	\$ 12,935,080	\$ 12,879,837	\$ (55,243)

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$1,528,751 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- There were other miscellaneous adjustments between the unaudited and audited amounts.

See accompanying note to required supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ 300,000	\$ 13,719,382	\$ 13,419,382	2%	\$ 48,440,232	28%
March 1, 2012	\$ 662,307	\$ 17,186,957	\$ 16,524,650	4%	\$ 53,742,758	31%

See accompanying note to required supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District’s budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 36,563,598	\$ 37,332,023	\$ 768,425
Classified salaries	\$ 10,239,206	\$ 11,454,486	\$ 1,215,280
Employee benefits	\$ 15,994,979	\$ 17,040,278	\$ 1,045,299
Capital outlay	\$ 200,826	\$ 283,272	\$ 82,446
Other outgo			
Excluding transfers of indirect costs	\$ 38,416	\$ 42,081	\$ 3,665
Transfers of indirect costs	\$ (483,874)	\$ (387,383)	\$ 96,491

**SUPPLEMENTARY
INFORMATION**

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$ 3,065,059
Title I, Part A, Program Improvement	84.010	14955	546,144
ARRA - Title I - Part A	84.389	15005	74,648
Subtotal Title I, Part A Cluster			<u>3,685,851</u>
Title I, Part B, Reading First Program	84.357	14328	
Adult Education: State Leadership Projects	84.002	13970	75,000
Adult Education: Adult Secondary Education	84.002	13978	64,699
Adult Education: English Literacy and Civics Education	84.002A	14109	144,151
Adult Education: Adult Basic Education & ESL	84.002A	14508	196,664
Title II, Part A, Teacher Quality	84.367A	14341	636,763
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	437,068
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	4,249
ARRA - Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.386	15019	35,811
ARRA - Title II, Part D, Enhancing Education Through Technology, Competitive Grants	84.386	15126	50,000
Education Technology State Grants Cluster			<u>90,060</u>
Title III, Immigrant Education Program	84.365	15146	32,395
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	362,301
Title IV, Part A, Drug-Free Schools	84.186	14347	1,594
Department of Rehab: Workability II, Transition Partnership	84.158	10006	118,838
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,295,029
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	129,342
Part B, Preschool Grants	84.173	13430	28,480
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	79,049
ARRA - Preschool Local Entitlement, Part B	84.391	15002	96,349
ARRA - Part B, Preschool Grants	84.392	15000	51,577
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	93,703
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	4,800
Subtotal Special Education Cluster			<u>1,778,329</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	66,845
Vocational Programs: Voc & Appl Tech Adult, Sec 131 (Carl Perkins Act)	84.048	14893	11,809
ARRA - State Fiscal Stabilization Fund	84.394	24997	540,205
Education Jobs Fund	84.410	25152	281,008
Total U. S. Department of Education			<u>8,523,580</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	3,001,752
Especially Need Breakfast	10.553	13526	990,024
Meal Supplements	10.557	N/A	157,015
Subtotal Child Nutrition Cluster			<u>4,148,791</u>
ARRA - Child Nutrition Equipment Assistance Grants	10.579	15006	23,963
USDA Commodities	10.558	13389	261,514
Child Nutrition: CACFP Claims - Centers and Family Day Care	10.558	13393	70,387
Total U. S. Department of Agriculture			<u>4,504,655</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
CCDF Cluster			
Quality Improvement Activities	93.575	13979	618
Subtotal CCDF Cluster			<u>618</u>
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	51,170
Medi-Cal Administrative Activities (MAA)	93.778	10060	31,900
Total U. S. Department of Health & Human Services			<u>83,688</u>
Total Federal Expenditures			<u>\$ 13,111,923</u>

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2012**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	841	842
First through third	2,323	2,315
Fourth through sixth	2,356	2,348
Seventh through eighth	1,413	1,401
Community day school	21	22
Home and hospital	2	4
Special education	139	158
Total Elementary	7,095	7,090
SECONDARY		
Regular classes	2,394	2,372
Continuation education	154	148
Community day school	11	12
Home and hospital	4	5
Special education	185	193
Total Secondary	2,748	2,730
Average Daily Attendance Total	9,843	9,820

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83		1986-87		2011-12 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	31,500	29,400	36,000	33,600	37,800	180	Complied
Grade 1	48,230	45,015	50,400	47,040	52,986	180	Complied
Grade 2	48,230	45,015	50,400	47,040	52,986	180	Complied
Grade 3	48,230	45,015	50,400	47,040	52,986	180	Complied
Grade 4	51,030	47,628	54,000	50,400	54,819	180	Complied
Grade 5	51,030	47,628	54,000	50,400	54,819	180	Complied
Grade 6	56,464	52,700	54,000	50,400	57,860	180	Complied
Grade 7	56,464	52,700	54,000	50,400	57,860	180	Complied
Grade 8	56,464	52,700	54,000	50,400	57,860	180	Complied
Grade 9	57,580	53,741	64,800	60,480	65,126	180	Complied
Grade 10	57,580	53,741	64,800	60,480	65,126	180	Complied
Grade 11	57,580	53,741	64,800	60,480	65,126	180	Complied
Grade 12	57,580	53,741	64,800	60,480	65,126	180	Complied

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

	2013 (Budget)	2012	2011	2010
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 82,603,884	\$ 83,342,368	\$ 79,748,062	\$ 77,183,791
Expenditures And Other Financing Uses	82,192,773	80,638,972	82,199,722	76,395,106
Net change in Fund Balance	\$ 411,111	\$ 2,703,396	\$ (2,451,660)	\$ 788,685
Ending Fund Balance	\$ 13,290,948	\$ 12,879,837	\$ 10,176,441	\$ 12,628,101
Available Reserves*	\$ 8,658,325	\$ 6,564,233	\$ 3,395,387	\$ 8,038,247
Available Reserves As A Percentage Of Outgo	10.53%	8.14%	4.13%	10.52%
Long-term Debt	\$ 192,427,146	\$ 197,105,848	\$ 172,266,097	\$ 153,967,284
Average Daily Attendance At P-2	9,895	9,843	9,410	9,079

The General Fund balance has increased by \$251,736 over the past two years. The fiscal year 2012-13 budget projects a further increase of \$411,111. 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 two of the past three years and anticipates incurring an operating surplus during the 2012-13 fiscal year. Total long term obligations have increased by \$43,138,564 over the past two years.

Average daily attendance has increased by 764 ADA over the past two years. An increase of 52 ADA is anticipated during the 2012-13 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

** The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$1,528,751 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- There were other miscellaneous adjustments between the unaudited and audited amounts.

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	County School Facilities Fund
June 30, 2012, annual financial and budget report fund balance	\$ 12,879,837	\$ 6,156,651	\$ 41,619,056	\$ 2,618,933
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
State categoricals	708,617	-	-	-
Change in cash with fiscal agent balance	-	-	(26,687,893)	-
Reduction of state facility funds	-	-	-	(2,545,601)
Fund balance transfer (GASB 54)	6,156,651	(6,156,651)	-	-
Net adjustments and reclassifications	6,865,268	(6,156,651)	(26,687,893)	(2,545,601)
June 30, 2012, audited financial statement fund balance	\$ 19,745,105	\$ -	\$ 14,931,163	\$ 73,332

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 7,607	\$ 67,589	\$ 1,069,935	\$ 767,295	\$ 42,750	\$ 4,024,361	\$ 7,218,654	\$ 13,198,191
Accounts receivable	374,154	61,175	797,405	-	-	-	-	1,232,734
Due from other funds	1,897,766	159	-	-	30,582	38,488	-	1,966,995
Stores inventory	-	-	58,913	-	-	-	-	58,913
Total Assets	\$ 2,279,527	\$ 128,923	\$ 1,926,253	\$ 767,295	\$ 73,332	\$ 4,062,849	\$ 7,218,654	\$ 16,456,833
LIABILITIES								
Deficit cash	\$ 233,609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,609
Accrued liabilities	31,976	1,348	65,581	-	-	-	-	98,905
Due to other funds	101,426	74,452	211,451	-	-	-	-	387,329
Deferred revenue	-	5,264	4,559	-	-	-	-	9,823
Total Liabilities	367,011	81,064	281,591	-	-	-	-	729,666
FUND BALANCES								
Non-spendable	5,000	-	58,913	-	-	-	-	63,913
Restricted	8,295	47,859	1,546,653	-	73,332	4,062,849	7,218,654	12,957,642
Committed	1,899,221	-	-	767,295	-	-	-	2,666,516
Assigned	-	-	39,096	-	-	-	-	39,096
Total Fund Balances	1,912,516	47,859	1,644,662	767,295	73,332	4,062,849	7,218,654	15,727,167
Total Liabilities and Fund Balance	\$ 2,279,527	\$ 128,923	\$ 1,926,253	\$ 767,295	\$ 73,332	\$ 4,062,849	\$ 7,218,654	\$ 16,456,833

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	\$ 611,161	\$ 260,596	\$ 4,510,267	\$ -	\$ -	\$ -	\$ -	\$ 5,382,024
Other State sources	49,758	1,306,445	415,505	356,096	-	-	77,498	2,205,302
Other local sources	181,185	38,414	465,650	2,737	33,409	17,207	9,803,015	10,541,617
Total Revenues	842,104	1,605,455	5,391,422	358,833	33,409	17,207	9,880,513	18,128,943
EXPENDITURES								
Current								
Instruction	1,763,439	1,183,825	-	-	-	-	-	2,947,264
Instruction-related services								
School site administration	712,755	342,602	-	-	-	-	-	1,055,357
Pupil services								
Food services	-	42,951	5,188,086	-	-	-	-	5,231,037
All other pupil services	15,632	-	-	-	-	-	-	15,632
General administration								
All other general administration	100,956	74,452	211,975	-	-	-	-	387,383
Plant services	273,401	135,357	201	150,497	-	-	-	559,456
Facilities acquisition and maintenance	-	-	-	191,332	(9,341)	4,363,351	-	4,545,342
Debt service								
Principal	-	-	-	-	-	-	2,870,000	2,870,000
Interest and other	-	-	-	-	-	-	6,488,598	6,488,598
Total Expenditures	2,866,183	1,779,187	5,400,262	341,829	(9,341)	4,363,351	9,358,598	24,100,069
Excess (Deficiency) of Revenues								
Over Expenditures	(2,024,079)	(173,732)	(8,840)	17,004	42,750	(4,346,144)	521,915	(5,971,126)
Other Financing Sources (Uses)								
Transfers In	1,897,766	-	-	-	30,582	38,488	-	1,966,836
Other Sources	-	-	-	-	-	-	854,889	854,889
Net Financing Sources (Uses)	1,897,766	-	-	-	30,582	38,488	854,889	2,821,725
NET CHANGE IN FUND BALANCE	(126,313)	(173,732)	(8,840)	17,004	73,332	(4,307,656)	1,376,804	(3,149,401)
Fund Balance - Beginning	2,038,829	221,591	1,653,502	750,291	-	8,370,505	5,841,850	18,876,568
Fund Balance - Ending	\$ 1,912,516	\$ 47,859	\$ 1,644,662	\$ 767,295	\$ 73,332	\$ 4,062,849	\$ 7,218,654	\$ 15,727,167

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

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, 2012 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2012.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the		
Statement of Revenues, Expenditures, and		
Changes in Fund Balance		\$ 12,861,285
ARRA - State Fiscal Stabilization Fund	84.394	540,205
Title IV, Part A, Drug-Free Schools	84.186	5
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	418
Medi-Cal Billing Option	93.778	(24,401)
Child Development: Federal Child Care, Center - Based	93.575	(259,978)
Child Nutrition: CCFP Cash in Lieu of Commodities	10.558	(5,611)
Total Expenditures reported in the Schedule of		
Expenditures of Federal Awards		\$13,111,923

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.

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*. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections 46201.2 and 46201.3*.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the 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.

Combining Statements – Non-Major Funds

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

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

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

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*Licensed by the California
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Governing Board
Pittsburg Unified School District
Pittsburg, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg Unified School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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 Pittsburg Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pittsburg Unified School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Questioned Costs as items #2012-1 through #2012-2 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 findings and questioned costs. We did not audit the 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, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California
December 10, 2012

**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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board
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, 2012. 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, 2012.

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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 Pittsburg Unified School 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, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christy White Associates

San Diego, California
December 10, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 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 Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 Reporting	6	Yes
Teacher Certification and Misassignments	3	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

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<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
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	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	5	Yes
Before school	6	Yes
Contemporaneous Records of Attendance; for charter schools	3	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

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, 2012.

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

Christy White Associates

San Diego, California
December 10, 2012

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material 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>84.010, 84.389</u>	<u>Title I, Part A Cluster, including ARRA</u>
<u>84.394</u>	<u>ARRA - State Fiscal Stabilization Fund</u>
<u>84.367A</u>	<u>Title II, Part A, Teacher Quality</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>393,358</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>None Reported</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, 2012**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING #2012-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: A summary of the internal control deficiencies observed are listed below:

Hillview Jr. High

- 3 out of 8 cash receipts selections had a sales/fundraising activity that could not be reconciled to receipts due to lack of supporting documentation (i.e. tally sheets, individualized receipts, etc.)

Pittsburg High School

- 2 out of 15 cash receipts selections had a sales/fundraising activity that could not be reconciled to receipts due to lack of supporting documentation (i.e. tally sheets, individualized receipts, etc.)
-

Riverside Continuation High School

- The attendance clerk is the only authorized signer on the Student Body Funds account and checks are only required to have one signature. Double signature requirement for checks is recommended.

General Comments

The ASB System is not properly generating financial statements. We noted that no sites were able to produce an adequate income statement for the 2011-12 school year. Outstanding deposits greater than one month were present for Pittsburg High School's ASB. Stale dated checks over 1 year were noted at several ASBs.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Perspective: We audited 5 ASBs at the school sites selected for testing in fiscal year 2011-12. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: The District provided FCMAT training in ASB Management in April 2011. FCMAT training in ASB Management will again be provided in January 2012, at the Contra Costa County Office of Education, based on an updated version of the FCMAT ASB Management Manual. The District is also conducting monthly visits and individual site training with each ASB site to ensure internal controls are met.

**PITTSBURG UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
JUNE 30, 2012**

FINDING #2012-2: BANK ACCOUNTS AND RECONCILIATIONS (30000)

Criteria: All District cash receipts should be properly supported by receipts and refund detail maintained. Individual receipts should be traceable to deposits to ensure timely and complete deposits.

Condition: In our testing of cash in banks and cash with fiscal agent, it was determined that the reconciliations were not prepared timely and accurately.

Cause: Staff in-charge of accounts were not preparing reconciliations in good form.

Effect: Lack of sound internal controls and potential for misappropriation of District assets.

Perspective: There was an adjustment necessary to properly state the District's cash with fiscal agent balance. Also, two of two cash in bank balances tested had an immaterial discrepancy, and no reconciliation or explanation for this variance was noted.

Recommendation: We recommend that staff responsible for these accounts be trained on proper documentation, and preparation of reconciliation to avoid possible misstatements.

District Response: The District has added a second review and approval to all bank account reconciliations to ensure all bank account reconciliations are prepared timely and accurately.

PITTSBURG UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2012.

**PITTSBURG UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no state award findings and questioned costs for the year ended June 30, 2012.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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.

Current Status: Not implemented, see Finding #2012-01

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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.

Current Status: Implemented.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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.

Current Status: Implemented.