PRELIMINARY OFFICIAL STATEMENT DATED MAY 19, 2010

NEW ISSUE -- FULL BOOK-ENTRY | **RATING: Standard & Poor's: "AA"**
Bank Qualified | **See "RATING" herein**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2010 Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the 2010 Notes are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$12,000,000*
PIEDMONT UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2010 General Obligation Bond Anticipation Notes

Dated: Date of Delivery | **Due: May 1, 2015**

Issuance. The Piedmont Unified School District 2010 General Obligation Bond Anticipation Notes (the "2010 Notes") are being issued by the Piedmont Unified School District (the "District") pursuant to a resolution adopted by its Board of Trustees on April 28, 2010 (the "Resolution"). The 2010 Notes are being issued for the purpose of financing the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on March 7, 2006, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $56,000,000 (the "General Obligation Bonds"). The 2010 Notes are being issued in anticipation of the issuance of a series of the General Obligation Bonds.

Security. The Accreted Value (defined herein) of the 2010 Notes is payable from the proceeds of General Obligation Bonds issued for that purpose, and from amounts held in the funds and accounts established under the Resolution. Interest on the 2010 Notes is also payable from any *ad valorem* taxes levied upon all property within the District subject to taxation, to the extent levied and available for that purpose. See "SECURITY FOR THE 2010 NOTES" herein

District Covenant to Issue General Obligation Bonds. The 2010 Notes are secured by a pledge of the proceeds of General Obligation Bonds. The District has covenanted in the Resolution, on or before February 1, 2015, to institute proceedings for the issuance and sale of General Obligation Bonds, an additional series of bond anticipation notes or other obligations, or any combination of the foregoing, in an amount sufficient to pay the full maturity value of the 2010 Notes coming due and payable at maturity or upon earlier redemption, taking into account original issue premium received on such sale. See "SECURITY FOR THE 2010 NOTES – Covenant to Issue General Obligation Bonds" and "RISK FACTORS" herein.

Book-Entry Only. The 2010 Notes will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2010 Notes. Individual purchases of the 2010 Notes will be made in book-entry form only. Purchasers will not receive physical delivery of the 2010 Notes purchased by them. Payments of the accreted value on the 2010 Notes will be made by the U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the 2010 Notes. See "APPENDIX G – Book-Entry Only System" herein.

Payments. The 2010 Notes are issued as capital appreciation notes. The 2010 Notes are dated the date of delivery of the 2010 Notes and accrete interest from such date, compounded semiannually on May 1 and November 1 of each year, commencing November 1, 2010. The 2010 Notes will be issued in denominations of $5,000 Maturity Value or any integral multiple thereof.

Redemption. The 2010 Notes are subject to optional redemption prior to maturity as described herein. See "THE 2010 NOTES – Redemption".

The following firm, serving as financial advisor to the District, has structured this financing:

KNN public finance
A Division of Zions First National Bank

MATURITY SCHEDULE*

Maturity Date	Denominational Amount	Accretion Rate	Accreted Amount at Maturity	Yield To Maturity	CUSIP†
May 1, 2015					

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2010 Notes are offered when, as and if issued by the District and received by the purchaser thereof, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. It is anticipated that the 2010 Notes will be available for delivery to DTC in New York, New York on or about June ____, 2010.

The date of this Official Statement is _____________, 2010

*Preliminary; subject to change.
† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2010 Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any 2010 Note owner and the District.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the 2010 Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Document Summaries. All summaries of the Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2010 Notes will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

District Website. The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2010 Notes.

***No Securities Laws Registration*. The 2010 Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such act. The 2010 Notes have not been registered or qualified under the securities laws of any state.**

PIEDMONT UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Ray Gadbois, *President*
Roy Tolles, *Vice President*
June Monach, *Member*
Martha Jones, *Member*
Richard Raushenbush, *Member*

DISTRICT ADMINISTRATION

Constance Hubbard, *Superintendent*
Michael Brady, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

KNN Public Finance
A Division of Zions First National Bank
Oakland, California

REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

U.S. Bank National Association
San Francisco, California

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PIEDMONT UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2010 General Obligation Bond Anticipation Notes

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the Piedmont Unified School District (the "District"), Alameda County (the "County"), California to provide information concerning the $12,000,000* aggregate principal amount of the Piedmont Unified School District (Alameda County, California) 2010 General Obligation Bond Anticipation Notes (the "2010 Notes").

This Official Statement makes reference to resolutions and to other documents and laws. Such references do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to each such document and provision.

All terms used herein and not otherwise defined shall have the meanings given such terms in the Resolution (as defined below).

THE 2010 NOTES

The District

The District provides educational services to the residents of the City of Piedmont, in Alameda County (the "County"), in the State of California (the "State"). Serving more than 2,500 students in fiscal year 2009-10, the District operates three elementary schools, one middle school, one comprehensive high school, one alternative school and one adult school.

See "APPENDIX A - FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE DISTRICT AND ALAMEDA COUNTY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2009," for demographic and financial information regarding the District.

Authority for Issuance

The 2010 Notes are being issued pursuant to the provisions of Section 15150 of the Education Code of the State of California and pursuant to a resolution adopted by the Board of Trustees of the District on April 28, 2010 (the "Resolution").

Description of the 2010 Notes

The 2010 Notes will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of beneficial ownership interests in the 2010 Notes from participants in the DTC system will not receive certificates representing their interest in the 2010 Notes.

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*Preliminary; subject to change.

The 2010 Notes shall be issued as Capital Appreciation Notes and shall be dated and mature as set forth on the cover hereof. The 2010 Notes shall be issued as fully registered 2010 Notes, without coupons, in the Maturity Value of $5,000 each or any integral multiple thereof.

Interest on the 2010 Notes compounds on each Compounding Date (being each May 1 and November 1, commencing November 1, 2010), to and including the date of maturity or redemption of such 2010 Notes.

Interest on each 2010 Note will accrue from the Compounding Date next preceding the date of authentication thereof unless (i) it is authenticated as of a Compounding Date, in which event interest will accrue from such Compounding Date, or (ii) it is authenticated prior to a Compounding Date and after the close of business on the 15th calendar day of the preceding month, in which event interest will accrue from such Compounding Date, or (iii) it is authenticated on or before October 15, 2010, in which event interest will accrete from the dated date of the 2010 Notes.

The Accreted Value (as defined below) on the 2010 Notes are payable only upon surrender of the 2010 Notes at maturity or earlier redemption at the office of the Paying Agent (as defined below).

Accreted Values

Appendix E contains a table of the principal component plus interest accrued thereon (the "Accreted Value") on each May 1 and November 1 for the 2010 Notes. Any Accreted Value, however, determined by the District and Paying Agent by computing interest in accordance with the provisions of the Resolution, shall control over any different Accreted Value determined by reference to Appendix E.

Paying Agent

Payments of the Accreted Value of the 2010 Notes will be made by U.S. Bank National Association (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the 2010 Notes. See "APPENDIX G – Book-Entry Only System" herein.

As provided in the Resolution, if at any time the Paying Agent shall resign or be removed, the District shall promptly appoint a successor Paying Agent.

Purpose of Issue

The 2010 Notes are being issued for the purpose of financing the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the qualified electors of the District on March 7, 2006, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $56,000,000, of which $22,000,065.60 principal amount remains unissued (the "General Obligation Bonds"). The 2010 Notes are being issued in anticipation of the issuance of a series of General Obligation Bonds. See "DISTRICT FINANCIAL INFORMATION–Long-Term Debt–General Obligation Bonds."

Optional Redemption

The 2010 Notes are subject to redemption prior to their stated maturity date, at the option of the District, from any source of available funds, in whole or in part, on any date on or after May 1, 2013, at a redemption price equal to the Accreted Value of the 2010 Notes to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Selection of 2010 Notes for Redemption

Whenever less than all of the 2010 Notes of any one maturity are designated for redemption, the Paying Agent shall select the 2010 Notes of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each 2010 Note will be deemed to consist of individual 2010 Notes of $5,000 Maturity Value each, which may be separately redeemed.

Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to (i) one or more of the Information Services (as defined in the Resolution), and (ii) to the respective owners of any 2010 Notes designated for redemption, at their addresses appearing on the Registration Books (as defined in the Resolution). Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such 2010 Notes. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to each of the Securities Depositories (as defined in the Resolution) at least two days prior to such mailing to the 2010 Note owners.

Such notice must state the redemption date and the redemption price and, if less than all of the then outstanding 2010 Notes are to be called for redemption, shall designate the serial numbers of the 2010 Notes to be redeemed by giving the individual number of each 2010 Note or by stating that all 2010 Notes between two stated numbers, both inclusive, or by stating that all of the 2010 Notes of one or more maturities have been called for redemption, and shall require that such 2010 Notes be then surrendered at the office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such 2010 Notes will not accrete interest from and after the redemption date.

Upon surrender of 2010 Notes redeemed in part only, the District will execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the District, a new 2010 Note or 2010 Notes, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2010 Note or 2010 Notes.

Registration, Transfer and Exchange of 2010 Notes

If the book entry system is discontinued (see “APPENDIX G – Book-Entry Only System”), the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the 2010 Notes.

If the book entry system is discontinued, any 2010 Note may, in accordance with its terms, be transferred, upon the registration books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2010 Note for cancellation at the office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new 2010 Note issued upon any transfer. Whenever any 2010 Note or 2010 Notes shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new 2010 Note or 2010 Notes, for like aggregate principal amount.

2010 Notes may be exchanged at the office of the Paying Agent for a like aggregate principal amount of 2010 Notes of authorized denominations. The District may charge a reasonable sum for each new 2010 Note issued upon any exchange (except in the case of any exchange of temporary 2010 Notes for definitive 2010 Notes).

Satisfaction and Discharge of 2010 Notes

If the District pays and discharges any or all of the outstanding 2010 Notes in any one or more of the following ways:

- by well and truly paying or causing to be paid the Accreted Value of any 2010 Notes, as and when the same become due and payable;

- by irrevocably depositing with the Paying Agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the District under the Resolution, is fully sufficient to pay such 2010 Notes, including all of the Accreted Value; or

- by irrevocably depositing with the Paying Agent, in trust, Federal Securities (as defined in the Resolution) in such amount as an Independent Accountant (as defined in the Resolution) shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the District under the Resolution, be fully sufficient to pay and discharge the indebtedness on such 2010 Notes (including all Accreted Value) at maturity;

then, notwithstanding that any of such 2010 Notes not have been surrendered for payment, the pledge of the General Obligation Bond proceeds and other funds provided for in the Resolution with respect to such 2010 Notes, and all other pecuniary obligations of the District under the Resolution with respect to all such 2010 Notes, shall cease and terminate, except only the obligation of the District to pay or cause to be paid to the owners of such 2010 Notes not so surrendered and paid all sums due thereon from amounts set aside for such purpose.

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the 2010 Notes, excluding accrued interest, are as follows:

Sources of Funds:	
Principal Amount of 2010 Notes	
Original Issue Premium	
Total Sources of Funds	
Uses of Funds:	
Building Fund	
Costs of Issuance (1)	
Total Uses of Funds	

(1) Includes legal fees, Purchaser's discount, printing costs, rating agency fees and other miscellaneous expenses.

Debt Service for the 2010 Notes

The following is the debt service table with respect to the 2010 Notes:

DEBT SERVICE FOR THE 2010 NOTES*
Piedmont Unified School District

Bond Year Ending (May 1)	Principal	Accreted Interest	Total
2011	--	--	--
2012	--	--	--
2013	--	--	--
2014	--	--	--
2015	$12,000,000.00*	$__________	
	$12,000,000.00*		

*Preliminary; subject to change.

SECURITY FOR THE 2010 NOTES

Pledge of General Obligation Bond Proceeds

The Accreted Value of the 2010 Notes are payable from the proceeds of General Obligation Bonds issued for that purpose, and from amounts held in the funds and accounts established under the Resolution. Interest on the 2010 Notes is also payable from any *ad valorem* taxes levied upon all property within the District subject to taxation, to the extent available for that purpose and to the extent so levied. The proceeds of the General Obligation Bonds, and the proceeds of any such *ad valorem* property taxes, will be paid to the County Treasurer when collected and deposited in the Note Repayment Fund established pursuant to the Resolution.

The 2010 Notes are special obligations of the District, payable exclusively from the sources and funds identified in the preceding paragraph. The general fund of the District is not liable, and the credit of the District is not pledged, for the payment of the 2010 Notes.

Covenant to Refinance the 2010 Notes

In order to provide for the payment of the Accreted Value of the 2010 Notes coming due on May 1, 2015 or upon earlier redemption, the District has covenanted to institute proceedings for the issuance and sale of General Obligation Bonds, an additional series of bond anticipation notes or other obligations, or any combination of the foregoing, in an amount sufficient to pay the full amount of the Maturity Value of the 2010 Notes, coming due and payable at maturity, taking into account original issue premium received on the sale of the General Obligation Bonds. Upon the issuance of such General Obligation Bonds, bond anticipation notes or other obligations by the District, the proceeds thereof will be paid to the County Treasurer and deposited in the Note Repayment Fund. See "RISK FACTORS" herein.

Note Repayment Fund

Establishment of the Fund. Pursuant to the Resolution, the County Controller shall create and maintain while the 2010 Notes are outstanding an interest and sinking fund for the 2010 Notes, designated the "2010 Note Repayment Fund". The 2010 Note Repayment Fund shall be maintained by the County Treasurer as a separate account, distinct from all other funds of the District, into which shall be paid on receipt thereof, (i) any premium received on the sale of the 2010 Notes, (ii) the proceeds of any *ad valorem* taxes levied to pay interest on the 2010 Notes, if any, (iii) the proceeds of any General Obligation Bonds issued to pay the Accreted Value of the 2010 Notes, and (iv) the proceeds of any additional bond anticipation 2010 Notes issued to pay the Accreted Value of the 2010 Notes.

Disbursements From the Fund. Amounts on deposit in the 2010 Note Repayment Fund, to the extent necessary to pay the Accreted Value of the 2010 Notes as the same become due and payable, shall be transferred by the County Treasurer to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the principal of and interest on the 2010 Notes. DTC will thereupon make payments of the Accreted Value of the 2010 Notes to the DTC Participants who will thereupon make payments of Accreted Value to the beneficial owners of the 2010 Notes. Any moneys remaining in the 2010 Note Repayment Fund after the 2010 Notes and the interest thereon have been paid, or provision for such payment has been made, will be transferred to the General Fund of the District.

Investment of District Funds and Bond Proceeds

All moneys held in any of the funds or accounts established with the County under the Resolution shall be invested in any one or more investments generally permitted to school districts under the laws of the State of California, consistent with the County investment policy. Such investments shall be made under the direction and at the discretion of the County Treasurer. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Resolution shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof. See "APPENDIX F – THE ALAMEDA COUNTY INVESTMENT POOL".

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the 2010 Notes. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the 2010 Notes. There can be no assurance that other risk factors will not become evident at any future time. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Issuance of Refunding Obligations

As described above, the District has covenanted in the Resolution to issue its General Obligation Bonds, bond anticipation notes or other obligations to provide for the payment of the Maturity Value of the 2010 Notes at maturity, taking into account original issue premium received on the sale of such General Obligation Bonds.

Although the District expects to issue General Obligation Bonds as required to pay the Maturity Value of the 2010 Notes at maturity, such issuance is dependent upon a variety of factors over which the District has no control, including those described below.

Legal Limitation on Tax Rate to Pay General Obligation Bond Debt Service. The Strict Accountability in Local School Construction Bonds Act of 2000 (the "2000 Act"), as set forth in the California Education Code, which applies to the District's General Obligation Bonds, provides that a new series of General Obligation Bonds cannot be issued unless the tax rate levied to pay debt service on all of the District's General Obligation Bonds issued pursuant to that authorization would not exceed $60 per year per $100,000 of taxable property, when assessed valuation is projected by the District to increase in accordance with Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS".

The District has previously issued three series of its General Obligation Bonds, leaving $22,000,065.60 principal amount unissued as of this date. See "DISTRICT FINANCIAL INFORMATION – Long-Term Debt". In addition, the District anticipates issuing a fourth series of General Obligation Bonds by December, 2010. In such case, the 2010 Notes would be payable from the proceeds of a fifth and final issue of General Obligation Bonds.

For fiscal year 2010-11, the projected tax rate levy required to pay debt service on outstanding General Obligation Bond issues is $60.00 per $100,000 assessed valuation, which is the legal limit for purposes of projecting the tax rate levy at the time of issuance. The District expects to issue another series of General Obligation Bonds in the principal amount of $10 million during fiscal year 2010-11 and continue to meet this legal requirement by structuring such series as capital appreciation bonds, which accrete interest until maturity, and such maturities will commence after a portion of the outstanding General Obligation Bonds have matured, allowing the legal projection to be met.

In order for the District to issue its remaining fifth and final series of General Obligation Bonds in the maximum principal amount of $12,000,065.60 to pay the 2010 Notes coming due on May 1, 2015, and comply with the $60 per $100,000 tax levy projection, assuming there is no growth in assessed valuation in the District, the final series of General Obligation Bonds will have to be issued as capital appreciation bonds, with maturities which commence in 2030 and thereafter, within legal limits.

Although the District's long-term financing plan described above contemplates the ability to meet the $60 per $100,000 projections at the time General Obligation Bonds are issued to pay the maturity value of the 2010 Notes, the District cannot guarantee that it will be able to comply with this legal limit at the maturity date of the 2010 Notes. In such case, the District may have to apply for a waiver of the $60 per $100,000 limitation from the California State Department of Education, if such waiver is available, or issue other debt to pay the 2010 Notes. See "TAX BASE OF THE DISTRICT – Assessed Valuations" and "RISK FACTORS -Reduction in District Assessed Valuation" below.

Legal Limitation on Outstanding Bonded Indebtedness. The 2000 Act limits outstanding general obligation bond indebtedness to 2.50 percent of the District's taxable property as shown by the last equalized assessment of the County. In addition to the District's outstanding Series A, B and C General Obligation Bonds, the District has outstanding its 2005 General Obligation Refunding Bonds and its 2009 General Obligation Refunding Bonds, for a total of $62,164,934 of general obligation bonded indebtedness outstanding as of this date. Further, the District anticipates issuing a series of General Obligation Bonds in the principal amount of $10 million in fiscal year 2010-11. Based on a District assessed valuation of $3,017,147,362 in 2009-10, the 2.50 percent bonding capacity is $75,428,684.05. Assuming the District issues a $10 million General Obligation Bond issue prior to the maturity of the 2010 Notes, a total of $72,164,934 general obligation bonded indebtedness will be outstanding (not taking into account principal maturing prior to such date), leaving only approximately $3 million available to stay within the limit on bonded indebtedness, based on 2009-10 assessed valuations.

On February 26, 2010, the District applied for a waiver of the 2.50 percent debt limit by the California State Department of Education to allow the issuance of general obligation bonds in an amount up to 2.80 percent of its taxable property. Such waiver was granted on May 6, 2010 and is effective through June 30, 2015, with the condition that the bonded indebtedness of the District does not exceed 2.79 percent of taxable property in the District. Based on the 2009-10 assessed valuation of $3,017,147,362, a 2.79 percent bonding capacity allows for $84,178,411 of general obligation bond indebtedness, which, taking into consideration outstanding bonded indebtedness of $72,174,934, leaves $12,013,477 in bonds which can be issued and continue to comply with such limit.

The General Obligation Bonds to be issued to pay the 2010 Notes at maturity are expected to be issued as capital appreciation bonds in the original denominational amount of $12,000,000, which is within the legal limit projections. However, the District cannot guarantee that the assessed valuation in the District will not decrease, or that other events will not occur which could result in an inability to meet the bonding capacity limit. In such event, the District would need to apply for an additional waiver from the State Department of Education, and such a waiver is granted at their discretion. To the extent the District was prohibited from issuing General Obligation Bonds as a result of the debt limit, the District would have to issue other types of obligations to pay the 2010 Notes, the marketability of which is not guaranteed, or pay the 2010 Notes from other resources, which may or may not be available.

Reliance on Original Issue Premium to Pay Interest on 2010 Notes. The 2010 Notes are issued as capital appreciation notes, which accrete interest until the final maturity date of May 1, 2015, at which time the principal, together with all accreted interest, becomes payable to the owner thereof. Assuming that the District issues $10 million in General Obligation Bonds in 2010-11, the District's remaining General Obligation Bond authorization will be approximately $12 million, which is sufficient only to pay the principal of the 2010 Notes at maturity. The District expects to issue General Obligation Bonds in an amount which, together with original issue premium generated on the sale of such General Obligation Bonds, is sufficient to pay the principal and interest coming due on the 2010 Notes at maturity.

Approximately $3,000,000* in accreted interest will be due with respect to the 2010 Notes at maturity. As a result, original issue premium in such amount will be required upon the sale of the General Obligation Bond issue of approximately $12 million. Although the District expects that there will be a purchaser willing to pay such a premium, depending on market conditions at the time of issuance, there is no guarantee that such bonds will be marketable or that such a premium can be generated upon the sale of the General Obligation Bonds.

Bond Anticipation Notes and Renewals Limited to 5-Year Term. The 2010 Notes are being issued pursuant to the California Education Code, particularly Section 15150 thereof ("Section 15150"). Section 15150 currently provides that general obligation bond anticipation notes, and any renewals thereof, must mature in a period of not to exceed 5 years. The 2010 Notes have a 5-year term. Pursuant to the Resolution, the District has covenanted to take all actions required to authorize, sell and issue, on or before May 1, 2015, General Obligation Bonds, an additional series of bond anticipation notes or other obligations, or any combination of the foregoing, in an aggregate principal amount which is sufficient to pay (taking into account original issue premium received on the sale of the General Obligation Bonds) the 2010 Notes, coming due and payable on May 1, 2015. Unless Section 15150 is amended prior to the maturity date of the 2010 Notes, however, the District would be unable to issue an additional series of bond anticipation notes to pay the 2010 Notes at maturity. Therefore, the District would be required to issue obligations other than bond anticipation notes, such as grant anticipation notes or certificates of participation, to refinance the 2010 Notes.

Other Factors Limiting Issuance of General Obligation Bonds. Other factors which could affect the ability of the District to issue such General Obligation Bonds or notes include the financial condition of the District at the time it institutes proceedings to issue such obligations, the presence of conditions prevailing in the bond market which could make it difficult or impossible for the District to issue such obligations, and the difficulty of obtaining municipal bond insurance or other credit enhancement for the General Obligation Bonds. No assurances can be given that the District will be able to issue General Obligation Bonds or notes when and as required to provide for payment of the Maturity Value of the 2010 Notes at maturity.

Reduction in District Assessed Valuation

The reduction of taxable values of property in the District caused by economic factors beyond the District's control, such as successful appeals by property owners for a reduction in property's assessed value, blanket reductions in assessed value due to general reductions in

* Preliminary, subject to change.

property values or the complete or partial destruction of such property caused by, among other eventualities, an earthquake or other natural disaster, could cause a reduction in assessed valuations. Such factors could also cause the assessed value of District properties to decrease and limiting the District's ability to comply with the tax rate limitation described above. Such factors could adversely affect the ability of the District to issue General Obligation Bonds prior to maturity of the 2010 Notes. See "- No Assurances on Issuance of General Obligation Bonds" above.

Reduction in Inflationary Rate and Changes in Legislation; Further Initiatives

Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis.

Article XIIIA of the California Constitution, which significantly affected the rate of property taxation, was adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might alter the taxable value, reduce the property tax rate, or broaden property tax exemptions. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Article XIIIA of the California Constitution."

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the District in violation of its covenants in the Resolution could result in the interest on the 2010 Notes being includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2010 Notes. Should such an event of taxability occur, the 2010 Notes would not be subject to a special redemption and would remain outstanding.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners of the 2010 Notes to provide certain financial information and operating data relating to the District by not later than nine months after the end of the District's Fiscal Year (presently June 30) in each year commencing with its report for fiscal year 2009-10 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Purchaser of the 2010 Notes in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the District is contained in "APPENDIX D - Form of Continuing Disclosure Certificate."

Failure of the District to provide the required information at the required time may have a negative impact on the value of the 2010 Notes in the secondary market.

The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. The County is not obligated to undertake any continuing disclosure in connection with the 2010 Notes.

TAX BASE OF THE DISTRICT

Although the 2010 Notes are secured by a pledge of the proceeds of General Obligation Bonds and are not secured by a pledge of *ad valorem* taxes (other than *ad valorem* taxes which may be available to pay interest represented by the 2010 Notes), the information in this section describes *ad valorem* property taxation, assessed valuation, and other measures of the tax base in the District, which investors may consider in evaluating the 2010 Notes and the marketability of the General Obligation Bonds. The District's general fund is not a source for the repayment of the 2010 Notes.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and property having a tax lien on real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a net taxable assessed valuation for fiscal year 2009-10 of $3,017,147,362. Shown in the following table are the assessed valuations for the District.

ASSESSED VALUE OF TAXABLE PROPERTY
Fiscal Years 2004-05 through 2009-10
Piedmont Unified School District

	Local Secured	Utility	Unsecured	Total	% Change
2004-05	$2,216,839,781	$0	$4,232,666	$2,221,072,447	--
2005-06	2,405,669,823	0	4,472,975	2,410,142,798	8.51
2006-07	2,588,754,716	0	4,758,429	2,593,513,145	7.61
2007-08	2,774,434,485	0	4,684,478	2,779,188,963	7.16
2008-09	2,926,864,211	0	3,922,696	2,930,786,907	5.46
2009-10	3,013,260,726	0	3,866,636	3,017,147,362	2.95

Source: *California Municipal Statistics, Inc.*

The District is composed almost entirely of residential properties, which make up 99.45 percent of the District assessed valuation. The following table shows the assessed valuation by land use in the District as determined by secured assessed valuation and taxable parcels in fiscal year 2009-10.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2009-10
Piedmont Unified School District

	2009-10 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$13,067,525	0.43%	12	0.30%
Vacant Commercial	12,371	0.00	1	0.02
Vacant Industrial	1,428,000	0.05	1	0.02
Institutional/Partial Exemption	1,970,957	0.07	9	0.22
Public Agency	0	0.00	43	1.07
Subtotal Non-Residential	$16,478,853	0.55%	66	1.65%
Residential:				
Single Family Residence	$2,946,078,213	97.77%	3,817	95.35%
2-4 Residential Units	27,284,109	0.90	36	0.90
5+ Residential Units/Apartments	10,276,996	0.34	6	0.15
Vacant Residential	13,142,555	0.44	78	1.95
Subtotal Residential	$2,996,781,873	99.45%	3,937	98.35%
Total	$3,013,260,726	100.00%	4,003	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: *California Municipal Statistics, Inc.*

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Recent changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan if the delinquency rate for all ad valorem property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the actual collections of the *ad valorem* property taxes.

The following tables show the secured tax charges and delinquencies for taxes collected by the County on property in the District.

SECURED TAX CHARGES AND DELINQUENCY RATES
Fiscal Years 2004-05 through 2008-09
Piedmont Unified School District

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	Percent Delinquent June 30
2004-05	$2,158,552.48	$16,422.17	0.76%
2005-06	2,117,429.21	23,873.83	1.13
2006-07	2,668,373.35	23,997.22	0.90
2007-08	2,384,932.43	29,742.57	1.25
2008-09	3,105,121.25	47,984.91	1.55

(1) District's share of 1% countywide levy. Excludes redevelopment agency impounds.
Source: *California Municipal Statistics, Inc.*

Per Parcel Assessed Valuation

Single family residential parcels in the District have an average assessed valuation of $771,831, as set forth in the following table.

Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2009-10
Piedmont Unified School District

	No. of Parcels	2009-10 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,817	$2,946,078,213	$771,831	$600,959

2009-10 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	338	8.855%	8.855%	$ 22,890,642	0.777%	0.777%
$100,000 - $199,999	450	11.789	20.644	64,762,430	2.198	2.975
$200,000 - $299,999	282	7.388	28.032	69,850,380	2.371	5.346
$300,000 - $399,999	262	6.864	34.897	92,179,152	3.129	8.475
$400,000 - $499,999	295	7.729	42.625	132,019,738	4.481	12.956
$500,000 - $599,999	277	7.257	49.882	152,744,797	5.185	18.141
$600,000 - $699,999	261	6.838	56.720	168,204,638	5.709	23.850
$700,000 - $799,999	234	6.130	62.850	175,777,365	5.966	29.817
$800,000 - $899,999	241	6.314	69.164	204,339,288	6.936	36.753
$900,000 - $999,999	203	5.318	74.483	192,438,948	6.532	43.285
$1,000,000 - $1,099,999	157	4.113	78.596	164,372,123	5.579	48.864
$1,100,000 - $1,199,999	131	3.432	82.028	150,248,292	5.100	53.964
$1,200,000 - $1,299,999	99	2.594	84.621	123,246,937	4.183	58.148
$1,300,000 - $1,399,999	81	2.122	86.744	108,813,168	3.693	61.841
$1,400,000 - $1,499,999	72	1.886	88.630	103,788,031	3.523	65.364
$1,500,000 - $1,599,999	55	1.441	90.071	84,639,252	2.873	68.237
$1,600,000 - $1,699,999	45	1.179	91.250	73,986,097	2.511	70.748
$1,700,000 - $1,799,999	50	1.310	92.560	87,030,442	2.954	73.702
$1,800,000 - $1,899,999	28	0.734	93.293	51,564,229	1.750	75.453
$1,900,000 - $1,999,999	26	0.681	93.974	50,616,119	1.718	77.171
$2,000,000 and greater	230	6.026	100.000	672,566,145	22.829	100.000
Total	3,817	100.000%		$2,946,078,213	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest owners of taxable secured property in the District as determined by secured assessed valuation in fiscal year 2009-10, which consist of only 4.24 percent of total secured assessed valuation.

PIEDMONT UNIFIED SCHOOL DISTRICT
LARGEST 2009-10 LOCAL SECURED PROPERTY TAXPAYERS
Piedmont Unified School District

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1.	Arun & Rummi Sarin Trustees	Residence	$ 10,402,277	0.35%
2.	Lipbu & Loo Ysa Tan Trustees	Residence	9,926,970	0.33
3.	Derek G. & Rachel J. Benham Trustees	Residence	8,594,343	0.29
4.	Frank D. & Lesley Yeary	Residence	7,956,000	0.26
5.	William & Maria R. Canizales Trustees	Residence	7,478,105	0.25
6.	David S. & Heather a. Ruegg Trustees	Residence	6,250,000	0.21
7.	Techne Inc.	Residence	6,242,153	0.21
8.	Kenneth B. Rawlings Trustees	Residence	6,186,470	0.21
9.	Michael & Elyse O'Sullivan Trustees	Residence	5,950,000	0.20
10.	Jack E. & Zelie K. Myers Trustees	Residence	5,910,000	0.20
11.	Lani Dy Trustees	Residence	5,847,655	0.19
12.	Wayne D. & Delaney M.Q. Jordan Trustees	Residence	5,675,033	0.19
13.	Basil C. & Shirley C. Christopoulos	Residence	5,545,000	0.18
14.	Kevin K. & Nancy W. Sidow Trustees	Residence	5,523,911	0.18
15.	Wildwood Avenue LLC	Residence	5,394,437	0.18
16.	Abe M. & Jennifer M. Friedman Trustees	Residence	5,230,312	0.17
17.	Guy T. & Jeanine E. Saperstein Trustees	Residence	5,204,318	0.17
18.	Roland A. & Christine W. Von Metzsch	Residence	5,000,000	0.17
19.	Grace S. & Michael K. Park	Residence	4,860,000	0.16
20.	Bucellattie International Inc.	Residence	4,711,874	0.16
			$127,888,858	4.24%

(1) 2009-10 Local Secured Assessed Valuation: $3,013,260,726
Source: California Municipal Statistics, Inc.

Outstanding General Obligation Bonds

The District has previously issued three series of its General Obligation Bonds which are secured by the proceeds of *ad valorem* taxes. For details on the outstanding debt service on such series, see "DISTRICT FINANCIAL INFORMATION – Long-Term Debt".

Debt Obligations

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective May 1, 2010, for debt issued as of May 1, 2010. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Piedmont Unified School District

2009-10 Assessed Valuation: $3,017,147,362

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/10	
Bay Area Rapid Transit District	0.691%	$ 2,902,200	
Peralta Community College District	5.440	24,243,088	
Piedmont Unified School District	**100.**	**62,164,934**	(2)
East Bay Municipal Utility District, Special District No. 1	5.019	1,367,928	
East Bay Regional Park District	1.053	2,072,041	
City of Piedmont 1915 Act Bonds	95.208-100.	5,223,510	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$97,973,701	
OVERLAPPING GENERAL FUND DEBT:			
Alameda County General Fund Obligations	1.769%	$ 7,437,619	
Alameda County Pension Obligations	1.769	3,155,663	
Alameda-Contra Costa Transit District Certificates of Participation	2.145	865,186	
Peralta Community College District Pension and Benefit Obligations	5.440	8,452,078	
TOTAL OVERLAPPING GENERAL FUND DEBT		$19,910,546	
COMBINED TOTAL DEBT		$117,884,247	(3)

(1)Excludes bond anticipation notes to be sold.
(2)Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Direct Debt ($62,164,934) 2.06%
Total Direct and Overlapping Tax and Assessment Debt 3.25%
Combined Total Debt 3.91%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: *California Municipal Statistics, Inc.*

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

The State of California requires that from all State revenues a certain amount of funds is set apart to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. Statewide, California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "– State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a school district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts. Because the 2010 Notes, and any General Obligation Bonds issued to pay the 2010 Notes are payable from taxes on property in the District, such payments are not directly affected by the amount of financial support received by the District from the State of California.

Propositions 98 and 111

Proposition 98. On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

Proposition 111. On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

State of California Budgets

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District nor the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office (the "LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Tax Shifts and Triple Flip. Assembly Bill No. 1755 ("**AB 1755**"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to $135 million. Legislation commonly referred to as the "Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip", one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 8 to 12 years.

2009-10 Adopted State Budget. The following is a summary of legislative actions taken with respect to the 2009-10 Budget.

February 19, 2009 – Approval of 2008-09/2009-10 Budget Package. The California Legislature voted to approve a budget package covering a 17-month period ending July 1, 2010 (the "Budget Package") addressing a $42 billion deficit, which included $15 billion in State spending reductions, $12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), $11.4 billion in borrowing and a $1 billion reserve. The Budget Package included revisions to the 2008-09 Budget and adoption of the 2009-10 Budget, addressed spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures contained in the Budget Package were rejected by the voters at a special State-wide election which was held on May 19, 2009, meaning that further revisions to the Budget would be required (see "May 14, 2009 – 2009-10 Budget Revision" below). Key provisions of the Budget Package were:

- *Education Spending Reductions*: Significant Proposition 98-related reductions, consisting of approximately $7.4 billion in reductions in Proposition 98 funding in 2008-09 compared to the adopted 2008-09 Budget, comprised of $2.4 billion in program reductions and savings and $5 billion in Proposition 98 funding deferrals and fund swaps. The 2009-10 Budget provided for $400 million in fund swaps and a total Proposition 98 funding of $55.3 billion, which was $400 million less than the total amount proposed in 2008-09.

- *Health and Human Services Reductions*: Approximately $1.6 billion in reductions by eliminating cost-of-living increases, reductions in public assistance benefit payments and delaying projects.

- *State Employee Payroll Reductions*: Approximately $1.4 billion in reductions by implementing furloughs, reducing overtime and eliminating certain paid holidays.

- *Sales Tax Increase*: A 1-cent increase in the State sales tax, generating approximately $5.9 billion (2 years).

- *Vehicle License Fee Increase*: Increasing the fee from 0.65 percent to 1.15 percent (2 years).

- *State Personal Income Tax Increase*: Imposing a 0.25 percent surcharge on personal income tax and reducing the dependent tax credit (2 years).

- *State Lottery*: Provisions modernizing the State Lottery to generate approximately $5 billion in revenues in 2009-10.

- *Reducing State Categorical Funding for Education; Increasing Categorical Flexibility*: Reductions in K-12 categorical programs estimated at approximately 15 percent. However, to mitigate program reductions, the Budget Package provided for categorical funding flexibility over 5 years, allowing the transfer of funds from 40 categorical programs to the general fund, commencing in 2008-09. In addition, categorical ending balances could be used for general purpose activities in the current and budget year with certain exclusions.

February 20, 2009 - Governor signed the Budget Package. The Governor used his line item veto power in an attempt to achieve $1 billion more in savings, including replacing general fund appropriations for higher education with federal funds, and reforms and cost-saving measures for state prisons.

May 14, 2009 – 2009-10 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. Following LAO Reports issued on March 23, 2009 and May 7, 2009 predicting additional operating shortfalls, on May 14, 2009, the Governor released the May Revision to the 2009-10 Budget, which included two alternative proposals to revise the State budget to address the State's increasing deficit, based on the success or failure of the statewide ballot measures on the May 19, 2009 special election ballot.

May 19, 2009 – Special Statewide Election. State voters rejected three propositions on the special election ballot intended to help balance the State's budget. As a result, based on estimates contained in the May Revision, a budget shortfall of $21 billion in 2009-10 was estimated, meaning that the legislature and the Governor would need to agree to billions of dollars in additional spending cuts, tax increases or other budgetary solutions to bring the 2009-10 budget into balance.

July 1, 2009 - Governor Declares Fiscal Emergency; State Begins Issuing IOU's; 2009-10 Budget Compromise Announced. The Governor announced on July 1 that the budget deficit had grown by $2 billion to $26.3 billion due to the failure of State lawmakers to adopt immediate education cuts and money-shifting plans by the June 30 fiscal year end. He declared a fiscal emergency and ordered a Proposition 58 special session of the Legislature to solve the State's deficit, ordered State employees to take three unpaid furlough days every month and proposed closing the additional $2 billion shortfall largely by cutting school spending even further. To address the State's cash crisis, on July 2 the State began issuing registered warrants, or IOU's, to several classes of creditors, including certain local governments.

July 24, 2009 - 2009-10 State Budget Amendments. On July 24, the California legislature approved amendments to the 2009-10 Budget involving 30 separate pieces of legislation to close the $26.3 billion shortfall in the State's 2009-10 general fund budget. The Governor signed the budget plan on July 28. The 2009-10 Budget includes total general fund spending of more than $84 billion, down from nearly $91.7 billion in 2008-09 and nearly $103 billion in 2007-08. The 2009-10 Budget amendments combine deep spending cuts, borrowing from local governments and accounting maneuvers described below.

Spending Cuts. The $15.3 billion in additional spending cuts include:

- $6.1 billion from the K-14 education budget.
- $2.8 billion from the California State University and University of California systems.
- $1.3 billion in savings by furloughing nearly 200,000 state workers three days out of each month.
- Approximately $3. 2 billion from health and human services, including $1.3 billion in cuts to Medicaid.

Borrowing and Accounting. The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in 2009-10, consisting of:

- $2 billion borrowed from counties' property tax collections under provisions of Proposition 1A approved by the voters in 2004, but the State must repay counties with interest within three years.
- $1.7 billion shift from redevelopment agencies into State funds in exchange for extending the number of years the agencies could collect tax increment.
- $1 billion in revenues to be generated by selling a portion of the State Compensation Insurance Fund's workers compensation insurance portfolio.
- $1.2 billion in savings from a one-time deferment of state worker paychecks for one day, moving them into the next fiscal year.
- $1.7 billion in revenues by requiring taxpayers who make quarterly estimated payments to pay more in the first six months. This will result in lower revenues in the first half of the next fiscal year.
- $600 million in revenues by increasing income tax withholdings from paychecks. This allows the State to grab more tax revenue earlier but will result in lower revenue later due to higher tax refunds or less taxes owed.

The accounting shifts relied on the assumption that an economic recovery would be well underway in the next fiscal year. Additionally, borrowing revenues from local governments resulted in litigation.

The approved budget amendments discarded plans to take $1 billion in gasoline tax revenues from local governments and failed to approve $100 million in revenue from oil leases to be sold in the Santa Barbara Channel. Instead, the legislature intended the $1.1 billion difference was to be made up by tapping out the general fund reserve. The Governor, however, exercised his line-item veto power to make nearly $500 million in additional cuts to social services, state prisons and higher education, and providing for a general fund reserve of $500 million.

K-14 Spending Cuts. Total Proposition 98 funding is reduced by $2.1 billion in 2008-09 and $4.5 billion in 2009-10 compared to the levels appropriated in the February Budget Act. However, Proposition 98 General Fund savings are $5.3 billion in 2009-10 because of the property tax shift of $850 million from redevelopment agencies to schools.

Additional detail with respect to the effect of the budget amendments relating to K-14 education are:

- A $1.6 billion "recapture" of 2008-09 categorical funding for schools that had been appropriated but not actually sent to districts and county offices. This was seen as the only way to reduce funding for the fiscal year ending 2008-09, thereby lowering the base for 2009-10. To equalize the impact among all districts, the categorical cuts will be restored in 2009-10 and an equal amount of approximately $250 per ADA will be reduced from revenue limits statewide.
- $2.4 billion from 2009-10 general-purpose spending for local educational agencies resulting in cuts of approximately $390 per ADA.
- $1.7 billion of 2009-10 payments that will be deferred from April and May into August of fiscal year 2010-11.

Additional changes include provisions to permit school districts to reduce the number of school days by five days to 175 days through 2012-13 and lowering the reserve requirement for economic uncertainty to one-third of the usual requirement.

January 8, 2010 - Governor Declares Fiscal Emergency. In connection with the introduction of the 2010-11 Proposed Budget (see below), the Governor declared a fiscal emergency and called the State Legislature into Special Session to begin to take action on the $19.9 billion in solutions he proposes in connection with the 2010-11 Budget, which may include corrective actions with respect to the 2009-10 Budget and placing propositions on the June, 2010 ballot.

2010-11 State Budget. Set forth below is a summary of information available with respect to the 2010-11 State Budget.

November 18, 2009 - LAO Report on Fiscal Year 2010-11. On November 18, 2009, the LAO released a report entitled "The 2010-11 Budget: California's Fiscal Outlook," in which it forecast that the State will need to address a General Fund budget problem of $20.7 billion between now and the time the Legislature enacts a fiscal year 2010-11 state budget plan. The budget problem consists of a $6.3 billion projected deficit for fiscal year 2009-10 and a $14.4 billion gap between projected revenues and spending in fiscal year 2010-11.

January 8, 2010 – 2010-11 Proposed Budget Submitted by Governor to Legislature. The Governor submitted his 2010-11 Budget to the State Legislature. The 2010-11 Proposed Budget acknowledges a projected budget gap of $19.9 billion, comprised of a 2009-10 shortfall of $6.6 billion, a 2010-11 budget year shortfall of $12.3 billion and a modest reserve of $1 billion. The Governor proposes a combination of spending reductions, alternative funding, fund shifts and additional federal funds to close the $19.9 billion budget gap. Approximately 40 percent of the solutions rely on the federal government for funding or flexibility, another 40 percent rely on reductions in State spending, and the remaining 20 percent consists of various fund shifts.

January 12, 2010 – LAO Report: Overview of the Governor's Budget. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a $18.9 billion budget problem is reasonable but is $3.1 billion smaller shortfall than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the state is unlikely to receive in the amounts requested. The Legislature needs to assume that the federal relief will total billions less than the Governor budgets for and will need to make difficult decisions regarding both revenues and spending and needs to make many key decisions by the end of March in order to implement them for the next fiscal year.

February 25, 2010 – LAO Report. The LAO released a report commenting on the 2010-11 Proposed Budget's Proposition 98 and K-12 Education proposals. The LAO report states that the Governor's Proposed Budget would result in reductions in Proposition 98 funding levels from what is currently required by approximately $2.2 billion in 2009-10 and approximately $3.2 billion in 2010-11. K-12 revenue limit funding would be cut by $1.5 billion and virtually all education mandates would be suspended in 2010-11. These reductions are based in part on his interpretation of "minimum guarantee" as described under "Proposition 98 Funding" above. According to the LAO report, the 2010-11 Proposed Budget takes steps in the right direction by reducing costs, providing flexibility and seeking federal funding, but it also misses opportunities for meaningful reform and is based on several assumptions that, if they do not come to pass, would render the plan unworkable.

May 12, 2010 – Governor Submits May Revise to 2010-11 Budget. The Governor submitted a revised 2010-11 Budget which calls for $12.4 billion in spending cuts to help bridge a $20 billion deficit over the next fiscal year. The May Revise cuts heavily into State programs, such as CalWORKS, mental health, childcare and some natural resources programs.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading "California Budget". Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets. However, the obligation to levy *ad valorem* taxes upon all taxable property within the District for the payment of principal and Accreted Value of and interest on the 2010 Notes would not be impaired.

The State has not entered into any contractual commitment with the District, the County or the Owners of the 2010 Notes to provide State budget information to the District or the owners of the 2010 Notes. Although they believe the State sources of information listed above are reliable, the District does not assume any responsibility for the accuracy of the State Budget information set forth or referred to herein or incorporated by reference herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes. The assessors in most California counties, including the County, use a methodology similar to Orange County in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values.

Constitutional Appropriations Limitation

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS – Propositions 98 and 111" herein..

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development. It is not clear whether the initiative power is therefore unavailable to repeal or reduce developer fees imposed by the District, which, in any event, are not pledged or available to pay the 2010 Notes.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Santa Barbara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce any local sales tax rates or alter the method of allocation, (ii) shift property taxes from local governments to schools or community colleges, (iii) make changes in how property tax revenues are shared among local governments without two-thirds approval of both houses of the State legislature and (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if (i) the Governor proclaims that the shift is needed due to a severe financial hardship of the State, (ii) the State Legislature approves the shift with a two-thirds vote of both houses and (iii) certain other conditions are met. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. This provision does not apply to mandates relating to schools, community colleges or to those mandates relating to employee rights.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98 and 111 (other than Proposition 1A, which was not an initiatives) were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues, including the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2010 Notes is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the 2010 Notes are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986..

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2010 Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2010 Notes.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a 2010 Note is sold is less than the amount of principal payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2010 Note is sold is greater than the amount of principal payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of 2010 Notes with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such 2010 Notes.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2010 Notes is exempt from California personal income taxes.

Other Tax Considerations. Owners of the 2010 Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2010 Notes may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2010 Notes other than as expressly described above.

A Copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the 2010 Notes, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the 2010 Notes. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the 2010 Notes.

RATING

Standard & Poor's Ratings Services ("S&P") has assigned its rating of "AA" to the 2010 Notes.

The District has furnished to S&P information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agency. The rating reflects only the view of the rating agency and an explanation of the significance of such rating may be obtained from the rating agency.

There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the 2010 Notes.

FINANCIAL ADVISOR

The District has entered into an agreement with KNN Public Finance, A Division of Zions First National Bank (the "Financial Advisor"), whereunder the Financial Advisor provides financial recommendations and guidance to the District with respect to preparation and sale of the Notes. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and has supervised the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

COMPENSATION OF PROFESSIONALS

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as bond counsel and disclosure counsel to the District, and of the Financial Advisor, is contingent upon issuance of the 2010 Notes.

UNDERWRITING

The 2010 Notes were sold pursuant to a competitive bidding process on May 25, 2010, and were awarded to ________________ (the "Purchaser"). The Purchaser has agreed to purchase the 2010 Notes at a price of $____________ (which price is equal to the initial aggregate principal amount of the 2010 Notes, plus original issue premium of $_________, less an Underwriter's discount of $______________ and less $___________ to be applied to pay costs of issuance. The Purchaser will purchase all of the 2010 Notes if any are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in the Official Notice of Sale for the 2010 Notes, including the approval of certain legal matters by counsel and certain other conditions.

The Purchaser intends to offer the 2010 Notes to the public at the offering prices set forth on the cover page of this Official Statement. The Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Purchaser.

ADDITIONAL INFORMATION

The references herein to the Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the District and following issuance of the 2010 Notes will be on file at the offices of the District in Piedmont, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District. The District may impose a charge for copying, mailing and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the 2010 Notes.

The execution and delivery of this Official Statement have been duly authorized by the Board of Education of the District.

PIEDMONT UNIFIED SCHOOL DISTRICT

By: _____________________________________
Superintendent

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE PIEDMONT UNIFIED SCHOOL DISTRICT AND ALAMEDA COUNTY

GENERAL DISTRICT INFORMATION

General Information

The District is located in the San Francisco Bay Area and serves the residents of the City of Piedmont, an area of approximately 1.8 square miles with a population of approximately 11,165. The District was created in 1920 and unified in 1936 and has approximately 2,531 students who attend the District's 6 schools. There are 3 elementary schools containing grades K-5, 1 middle school with grades 6-8, 1 traditional high school, 1 alternative high school and 1 adult education school.

Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Ray Gadbois	President	February, 2014
Roy Tolles	Vice President	February, 2014
June Monach	Member	February, 2012
Martha Jones	Member	February, 2012
Richard Raushenbush	Member	February, 2012

The day-to-day operations are managed by a board-appointed Superintendent of Schools.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last five fiscal years, with projected figures through fiscal year 2011-12.

Table A1
PIEDMONT UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2004-05 through 2011-12

School Year	Enrollment
2004-05	2,639
2005-06	2,602
2006-07	2,589
2007-08	2,552
2008-09	2,531
2009-10(1)	2,531
2010-11(1)	2,531
2011-12(1)	2,531

(1) Estimates from the District.
Source: California Department of Education.

Employee Relations

Currently the District employs 306 employees, of which 177 are full-time equivalent (**"FTE"**) certificated employees, 155 are FTE classified employees and 14 are FTE administrative employees. There are two formal bargain units operating in the District which are described in the table below.

Table A2
PIEDMONT UNIFIED SCHOOL DISTRICT
Labor Organizations

Labor Organization	Contract Expiration Date
Piedmont Teachers Association	July 1, 2011
California School Employees Association	June 30, 2011

Source: Piedmont Unified School District .

District Retirement Systems

The District participates in the State of California Teacher's Retirement System ("**STRS**"). This plan covers basically all full-time certificated employees. Active plan members are required to contribute 8.0% of their salary and the District is to contribute an actuarially determined rate, which was 8.25% of payroll for the 2008-09 fiscal year. The District's contribution to STRS for fiscal year 2007-08 was $1,201,832, for fiscal year 2008-09 was $1,256,629, and for fiscal year 2009-10 $1,260,621 is budgeted.

The District also participates in the State of California Public Employees' Retirement System ("**PERS**"). This plan covers all classified personnel who are employed four or more hours per day. Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate, which was 9.428 percent of annual payroll for 2008-09. The District's contribution to PERS for fiscal year 2007-08 was $390,763, for fiscal year 2008-09 was $410,442, and for 2009-10 $381,145 is budgeted.

Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as liability. STRS has a substantial State unfunded liability. Since this liability has not been broken down by the state agency, information is not available showing the District's share.

Other Post Employment Benefits

Plan Description. The District's current retiree benefit plan provides medical and dental coverage to employees who retire from the District on or after attaining the age of 55 years following 10 years (certificated and management) or 15 years (classified) of service until such retiree qualifies for Medicare (65 years). However, classified retirees hired prior to July 1, 1989 receive lifetime coverage and may cover dependents, and those hired between July 1, 1989 and July 1, 2008 may receive $100 per month toward a Medicare Supplement for the number of years equal to the years of service. Certificated retirees hired prior to July 1, 2001 may receive $100 per month toward the cost of Medicare Supplemental coverage. Currently, 108 employees meet the eligibility requirements.

Actuarial Study dated August 6, 2009. The District engaged Total Compensation Systems, Inc. to conduct an actuarial study to determine its actuarial accrued liability with respect to its post-employment retirement benefits. The study, dated August 6, 2009, concluded that as of April 1, 2009, the District's unfunded accrued actuarial liability ("UAAL") was $4,249,446. According to the study, the annual required contribution ("ARC"), which is the sum of the normal cost and the amortization of the UAAL over a period of 30 years at 5% interest, is $403,927 as of April 1, 2009. This results in a total added annual cost, above the normal cost, of $232,509 (which increases each year based on covered payroll) as of April 1, 2009 in order to amortize the UAAL over 30 years.

Contribution Information. The District makes contributions to its post-employment healthcare liability on a pay-as you-go basis. As of June 30, 2008, 108 employees met the eligibility requirements. The contribution for the 2007-08 fiscal year was $313,479 and was $412,541 for fiscal year 2008-09. Due to the elimination by the District of $100 per month lifetime benefits for current and future employees, for the year starting April 1, 2009, the estimated pay-as-you-go contribution is $171,418.

Insurance

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2009, the District contracted with Alameda County Schools Insurance Group for property and liability insurance coverage. Extended property and liability coverage was provided by Bay Area Schools Insurance Group. Settled claims have not exceeded this commercial coverage in any of the past 3 years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation. For fiscal year 2009, the District participated in the Alameda County Schools Insurance Group ("**ACSIG**"), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to Districts that can meet the ACSIG selection criteria.

Coverage provided by commercial insurance, School Excess Liability Fund and Alameda County Schools Insurance Group for property and liability and workers' compensation is as follows:

Table A3
PIEDMONT UNIFIED SCHOOL DISTRICT
Insurance Summary

Insurance Program / Company Name	Type of Coverage	Limits
Alameda County Schools Insurance Group	Workers' Compensation	State Statutory
Bay Area Schools Insurance Group	Excess Property and Liability	$1 million-$25 million
Alameda County Schools Insurance Group	Property and General Liability	$500,000-$1 million

DISTRICT FINANCIAL INFORMATION

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District's accounting method, see Note 1 of "APPENDIX B – Audited Financial Statements of the District for Fiscal Year Ended June 30, 2009" attached hereto.

Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2008-09 were prepared by Vavrinek, Trine, Day & Company, LLP, Pleasanton, California. Audited financial statements for the District for the fiscal year ended June 30, 2009 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for excerpts from the 2008-09 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District has not requested nor did the District obtain permission from Vavrinek, Trine, Day & Company, LLP to include the audited financial statements as an appendix to this Official Statement. Accordingly, Vavrinek, Trine, Day & Company, LLP has not performed any post-audit review of the financial condition or operations of the District.

The following table shows the audited income and expense statements for the District for the 2005-06 through 2008-09 fiscal years.

Table A4
PIEDMONT UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2005-06 through 2008-09 (audited)

	Audited 2005-06	Audited 2006-07	Audited 2007-08	Audited 2008-09
Revenues				
Revenue limit sources	$13,753,566	$14,333,405	$14,827,644	$14,294,635
Federal revenues	671,588	594,978	615,804	1,622,416
Other state revenues	2,540,873	3,601,012	3,005,548	2,824,403
Other local revenues	8,452,408	10,484,835	11,124,308	11,656,236
Total Revenues	25,418,435	29,014,230	29,573,304	30,397,690
Expenditures				
Instruction	17,316,961	18,980,169	20,204,090	20,437,019
Instruction-related activities:				
Supervision of instruction	515,119	502,313	543,803	605,689
Library, media and technology	501,092	509,291	572,729	581,949
School sites administration	1,863,837	2,182,158	2,147,660	2,329,682
Pupil services:				
Home-to-school transportation	52,607	36,918	39,581	87,059
Food services				1,376
All other pupil services	997,186	1,157,943	1,263,130	1,398,421
General Administration:				
Data processing	228,039	231,610	168,009	253,565
All other general administration	1,412,036	1,209,310	1,717,696	1,430,486
Plant services	2,179,690	2,353,540	2,431,564	2,392,294
Facility acquisition, construction	41,592	44,088	131,503	-
Ancillary services	99,435	92,255	87,153	281,230
Debt service: principal	34,056	91,591	62,033	-
:Debt service: interest and other	32,647	-	-	-
Total Expenditures	25,274,297	27,391,186	29,368,951	29,798,770
Excess of Revenues Over/(Under) Expend.	144,138	1,623,044	204,353	598,920
Other Financing Sources (Uses)				
Operating transfers in	410,711	1,338	3,490	134,829
Operating transfers out	(120,000)	(635,000)	(150,000)	-
Total Other Fin. Source(Uses)	290,711	(633,662)	(146,510)	134,829
Net change in fund balance	434,849	989,382	57,843	733,749
Fund Balance, July 1	663,636	1,098,485	2,087,867	2,145,710
Fund Balance, June 30	$1,098,485	$2,087,867	$2,145,710	$2,879,459

Source: Piedmont Unified School District Audit Reports for fiscal years 2005-06 through 2008-09.

The following table shows the District's 2009-10 Budget, as adopted by the Board of Trustees, for fiscal year 2009-10, compared to projected year totals for the General Fund for fiscal year, taken from the Second Interim Report.

Table A5
PIEDMONT UNIFIED SCHOOL DISTRICT
Adopted Budget for 2009-10

	Adopted Budget 2009-10	Projections [(1)] 2009-10
Revenues		
Revenue Limit Sources	$13,232,353.00	$12,549,421.00
Federal revenues	880,777.00	1,024,701.00
Other state revenues	2,059,134.00	2,330,460.00
Other local revenues	12,299,545.00	12,510,030.00
Total Revenues	28,471,809.00	28,414,612.00
Expenditures		
Certificated Salaries	15,221,523.00	15,358,278.00
Classified Salaries	4,646,785.00	4,555,005.00
Employee Benefits	5,988,209.00	6,029,785.00
Books and Supplies	811,552.00	1,015,708.00
Services and Other Oper. Expenditures	2,451,159.00	2,536,553.00
Transfers of Indirect Costs	(120,000.00)	(120,000.00)
Total Expenditures	28,999,228.00	29,375,329.00
Excess of Revenues Over/(Under) Expenditures	(527,419.00)	(960,717.00)
Other Financing Sources (Uses)		
Operating Transfers In	538,006.00	535,139.00
Operating Transfers Out	0.00	243,029.00
Contributions	0.00	0.00
Total Other Financing Sources (Uses)	538,006.00	292,110.00
Net Change in Fund Balance	10,587.00	(668,607.00)
Fund Balance, July 1	2,879,459.16	2,879,459.16
Fund Balance, June 30	$2,890,046.16	$2,210,852.16[(2)]

(1) As of March 1, 2010, based on the Second Interim Report.
(2) Represents 7% of total expenditures.
Source: Piedmont Unified School District.

Reserve Levels. The District has successfully maintained its reserve for economic uncertainties well above the State requirement, with its unrestricted general fund balance being 4.7% of expenditures in 2006-07, 6.2% in 2007-08 and 7.0% in 2008-09.

District Response to Reduced State Funding. In response to the continued difficult fiscal situation in the State, during fiscal year 2008-09, the District cut $745,000 in positions (Board approved "level 1" cuts). In addition, the District plans to continue to build reserves through cost saving measures, including rolling over ending fund balances when authorized, and the use of highly restricted, one-time funds. As part of the 2010-11 Budget, the District expects to undertake revenue enhancements such as proposing a parcel tax increase and a sweep of Tier III categorical programs where appropriate. Plans to reduce expenditures include $1,000,000 in future reductions, which are expected to be identified by December, 2010.

Budget Process

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("**AB 1200**"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.

Long-Term Debt

General Obligation Bonds.

The outstanding general obligation bonds of the District as of May 1, 2010 are as follows:

Series	Issue Date	Maturity	Interest Rate	Original Principal	Bonds Outstanding 5/1/2010
2005 Ref.	1/11/2005	2021	3.0%-4.0%	$18,415,000	$15,270,000
2006 Elec., Srs A and B	7/27/2006	2032	4.0%-6.5%	$14,999,934	$14,749,934(1)
206 Elec., Srs. C	10/14/09	2034	1.0%-5.0%	$19,000,000	$19,000,000
2009 Ref. GOBs	10/14/09	2018	2.0%-3.0%	$13,145,000	$13,145,000

(1) Not including accreted interest on capital appreciation bonds.

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("A.D.A."). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of $120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is not a Basic Aid district.

A schedule of the District's A.D.A. and base revenue limit during the past five years, as well as projections for two years, is shown below.

Table A7
PIEDMONT UNIFIED SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2004-05 through 2010-11 (projected)

Fiscal Year	P-2 ADA	Base Revenue Limit Per ADA
2004-05	2,595	$5,086
2005-06	2,538	5,277
2006-07	2,518	5,585
2007-08	2,482	5,837
2008-09	2,475	6,166
2009-10(1)	2,475	6,427
2010-11(1)	2,475	6,459

(1) Projected.
Source: Piedmont Unified School District.

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts.

Revenue Sources

The District categorizes its general fund revenues into four sources:

Table A8
PIEDMONT UNIFIED SCHOOL DISTRICT
District Revenue Sources

Revenue Source	Percentage of Total District General Fund Revenues			
	2006-07	2007-08	2008-09	2009-10[(2)]
Revenue limit sources [(1)]	49%	50%	48%	48%
Federal revenues	2	2	5	0
Other State revenues	12	10	7	8
Other local revenues	36	38	40	44

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.
(2) Based on the District's 2009-10 Second Interim Projections.
Source: Piedmont Unified School District.

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues.

Voter-Approved Parcel Tax. The District receives significant revenues from voter-approved parcel taxes. Two parcel taxes have regularly been extended by voters, most recently in June, 2009. These taxes will result in the levy of $2,200 per parcel and are expected to generate $8.14 million in revenues for 2009-10. In addition, voters approved an additional parcel tax in June, 2009 for the purpose of off-setting reductions in State educational spending. This parcel tax extends for 3 years, and is expected to generate $997,000 annually for three years.

Other Sources. In addition to parcel tax revenues, the District receives revenues from the Piedmont Educational Foundation ("PEF"), which, has established an endowment which contributes $158,000 per year to the District. In addition, the PEF contributes $125,000 each year in grants to support various programs. The Associated Parents Club of Piedmont Parents (the "Club") is an additional source of local revenues, which fundraises based on a recommended annual gift of $1,200 per school family. For 2009-10, the Club has committed $1.4 million to the District. Finally, the District receives additional revenues from items such as interest earnings.

Effect of State Budget on Revenues Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes. School districts also receive substantial funding from the State for various categorical programs. Revenues received by the District from all State sources generally accounted for about half of total general fund revenues.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. See "STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS".

ALAMEDA COUNTY DEMOGRAPHIC INFORMATION

The County of Alameda (the "County") is located on the east side of the San Francisco Bay, extending from the City of Albany to the north, to the City of Fremont to the south, and approximately ten miles west of the City of San Francisco. Access to San Francisco is provided by the San Francisco Bay Bridge.

The northern part of Alameda County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas, as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of the County is also highly developed including older established residential and industrial areas. The southeastern corner of the County has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County to this area. The southwestern corner of the County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the region maintains its position as the fastest growing residential, commercial and industrial part of the County.

Population

The following table lists population estimates for the County for the last five calendar years, as of January 1.

ALAMEDA COUNTY
Population Estimates
Calendar Years 2005 through 2009 as of January 1

	2005	2006	2007	2008	2009
Alameda	74,338	74,419	75,077	74,015	74,683
Albany	16,654	16,648	16,722	16,152	16,884
Berkeley	104,010	105,206	106,110	106,498	107,178
Dublin	39,737	41,827	43,592	46,859	47,922
Emeryville	8,217	8,520	9,137	9,712	10,087
Fremont	209,336	209,779	211,162	213,124	215,636
Hayward	145,263	146,136	147,501	148,935	150,878
Livermore	80,293	81,295	82,646	83,451	84,409
Newark	43,476	43,407	43,587	43,793	44,035
Oakland	409,756	410,613	414,516	419,095	425,068
Piedmont	10,998	10,979	11,029	11,079	11,165
Pleasanton	67,292	67,728	68,567	69,324	70,097
San Leandro	81,013	80,928	81,273	81,841	82,472
Union City	70,311	71,024	72,124	73,269	73,977
Unincorporated County	138,662	138,801	139,554	140,572	142,166
County Total	1,499,356	1,507,310	1,522,597	1,537,719	1,556,657

Source: *State Department of Finance estimates (as of January 1).*

Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward MD was 10.4 percent in May 2009, up from a revised 10.2 percent in April 2009, and above the year-ago estimate of 5.6 percent. This compares with an unadjusted unemployment rate of 11.2 percent for California and 9.1 percent for the nation during the same period. The unemployment rate was 10.7 percent in Alameda County, and 10.0 percent in Contra Costa County.

OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION
ALAMEDA, CONTRA COSTA COUNTIES
Civilian Labor Force, Employment and Unemployment; Employment by Industry
(Annual Averages)

	2004	2005	2006	2007	2008
Civilian Labor Force (1)	1,254,300	1,251,000	1,257,500	1,272,700	1,295,700
Employment	1,182,700	1,188,000	1,202,500	1,213,000	1,215,500
Unemployment	71,600	63,000	55,000	59,800	80,200
Unemployment Rate	5.7%	5.0%	4.4%	4.7%	6.2%
Wage and Salary Employment: (2)					
Agriculture	1,500	1,600	1,500	1,500	1,400
Natural Resources and Mining	1,200	1,100	1,200	1,200	1,200
Construction	69,800	72,800	73,300	71,700	64,600
Manufacturing	98,200	95,600	95,800	94,400	93,300
Wholesale Trade	49,200	48,600	48,800	48,700	48,000
Retail Trade	110,500	112,100	113,300	113,300	110,700
Transportation, Warehousing, Utilities	34,200	34,300	35,000	37,300	36,600
Information	31,300	30,700	30,100	29,000	27,800
Finance and Insurance	49,500	50,800	49,400	45,400	40,500
Real Estate and Rental and Leasing	18,100	18,700	18,200	17,000	16,300
Professional and Business Services	147,700	150,600	154,900	158,000	161,400
Educational and Health Services	117,200	118,500	121,800	124,200	127,700
Leisure and Hospitality	80,600	83,000	85,600	88,000	89,100
Other Services	36,600	35,600	35,900	36,200	36,000
Federal Government	17,600	17,300	17,300	17,100	17,100
State Government	47,000	46,200	45,800	44,500	39,400
Local Government	115,100	116,500	118,900	122,300	120,100
Total, All Industries (3)	1,025,200	1,033,700	1,046,900	1,049,700	1,031,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

The following table shows the major employers in the County, listed in alphabetical order.

ALAMEDA COUNTY
Major Employers
(Listed alphabetically)
2010

Employer Name	Location	Industry
ALAMEDA COUNTY LAW ENFORCEMENT	Oakland	SHERIFF
ALAMEDA COUNTY SHERIFF DEPT	Pleasanton	SHERIFF
ALTA BATES MEDICAL CTR INC	Berkeley	HOSPITALS
BAYER CORP	Berkeley	DRUG MILLERS (MFRS)
BERKELEY COIN & STAMP	Berkeley	COIN DEALERS SUPPLIES & ETC
CHILDREN'S HOSPITAL & RESEARCH	Oakland	HOSPITALS
CLOROX CO	Oakland	SPECIALTY CLNG PLSHNG/SANIT. (MFRS)
CLOROX CO	Pleasanton	SPECIALTY CLNG PLSHNG/SANIT. (MFRS)
COOPER VISION INC	Pleasanton	CONTACT LENSES-MANUFACTURERS
EAST BAY WATER	Oakland	TRANSIT LINES
EMC CORP	Pleasanton	COMPUTER STORAGE DEVICES (MFRS)
FAIRMONT HOSPITAL	San Leandro	HOSPITALS
KAISER PERMANENTE HOSPITAL	Hayward	HOSPITALS
KAISER PERMANENTE MEDICAL CTR	Oakland	HOSPITALS
LAWRENCE BERKELEY NATIONAL LAB	Berkeley	PHYSICIANS & SURGEONS
LAWRENCE LIVERMORE NATL LAB	Livermore	LABORATORIES-TESTING
NEW UNITED MOTOR MFG INC	Fremont	AUTOMOBILE & TRUCK BROKERS (WHLS)
ORACLE	Pleasanton	COMPUTER SOFTWARE-MANUFACTURERS
RESIDENTIAL & STUDENT SVC PROG	Berkeley	GIFTWARES-MANUFACTURERS
TRANSPORTATION DEPT-CALIFORNIA	Oakland	STATE GOVERNMENT-TRANS. PROGRAMS
UC BERKELEY EXTENSION	Berkeley	SCHOOLS-UNIV. & COLLEGE ACADEMIC
UNIVERSITY OF CA-BERKELEY	Berkeley	SCHOOLS-UNIV. & COLLEGES ACADEMIC
WASHINGTON HOSPITAL HEALTHCARE	Fremont	HOSPITALS
WASTE MANAGEMENT INC	Oakland	COUNTY GOV.T-ENVIRON. PROGRAMS
WESTERN DIGITAL CORP	Fremont	COMPUTER STORAGE DEVICES (MFRS)

Source: America's Labor Market Information System (ALMIS) Employer Database, 2010 2nd Edition.

Construction Activity

Provided below are the building permits and valuations for the County for calendar years 2004 through 2008.

ALAMEDA COUNTY
Total Building Permit Valuations
(Valuations in Thousands)

	2004	2005	2006	2007	2008
Permit Valuation					
New Single-family	$749,898.1	$518,955.9	$545,570.9	$424,009.7	$238,743.0
New Multi-family	475,595.7	482,928.9	626,797.5	315,894.0	201,122.3
Res. Alterations/Additions	307,825.2	392,480.2	357,113.0	339,842.5	285,782.4
Total Residential	$1,533,319.0	$1,394,365.0	$1,529,481.4	$1,079,746.3	$725,647.7
New Commercial	202,774.7	199,562.0	237,780.4	219,825.1	197,181.1
New Industrial	53,262.0	55,382.4	23,350.6	65,661.4	60,200.0
New Other	100,467.3	105,370.0	93,070.1	102,269.9	95,640.7
Com. Alterations/Additions	349,231.6	413,425.1	461,992.7	503,015.7	457,412.5
Total Nonresidential	$705,735.6	$773,739.6	$816,193.8	$890,772.1	$810,434.3
New Dwelling Units					
Single Family	2,269	1,518	1,681	1,340	761
Multiple Family	3,422	2,898	4,035	1,911	1,296
TOTAL	5,691	4,416	5,716	3,251	2,057

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County of Alameda, the State and the United States for the period 2004 through 2008.

COUNTY OF ALAMEDA
Effective Buying Income
As of January 1, 2004 through 2008

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2004	Alameda County	$34,827,010	$51,415
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Alameda County	$34,772,822	$52,295
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Alameda County	$35,772,898	$53,171
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Alameda County	$37,572,278	$54,688
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Alameda County	$38,889,500	$55,987
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

Source: *Sales & Marketing Management Survey of Buying Power for 2004; Claritas Demographics for 2005 through 2008.*

Commercial Activity

Total taxable transactions during the first quarter of calendar year 2009 in the County were reported to be $4,762,260,000, a 16.4% decrease over the total taxable transactions of $5,695,460,000 reported during the first quarter of calendar year 2008. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Annual figures are not yet available for 2009.

COUNTY OF ALAMEDA
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	20,800	$14,343,842	42,939	$22,996,365
2005	20,688	15,228,482	42,792	24,242,981
2006	20,090	15,656,414	41,951	25,223,384
2007	19,554	15,664,940	42,014	25,831,140
2008	20,186	14,547,749	41,783	23,862,947

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2009

PIEDMONT UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT JUNE 30, 2009

PIEDMONT UNIFIED SCHOOL DISTRICT

OF ALAMEDA COUNTY

PIEDMONT, CALIFORNIA

JUNE 30, 2009

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
June Monarch	President	2012
Ray Gadbois	Vice President	2010
Roy Tolles	Member	2010
Martha Jones	Member	2012
Richard Raushenbush	Member	2012

ADMINISTRATION

Constance Hubbard	Superintendent
Michael Brady	Assistant Superintendent, Business
Michelle Nguyen	Director, Fiscal Services

PIEDMONT UNIFIED SCHOOL DISTRICT

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JUNE 30, 2009

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Governing Board
Piedmont Unified School District
Piedmont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Piedmont Unified School District (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Piedmont Unified School District, as of June 30, 2009, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 conjunction with this report in considering the results of our audit.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com
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The required supplementary information, such as management's discussion and analysis and budgetary comparison and other postemployment information as stated in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, the Combining Statements – Non-Major Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 14, 2009

PIEDMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

This section of Piedmont Unified School District's (the District) 2009 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Piedmont Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and are reflected in the Statement of Activities.

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the Governing Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities* we include the District activities as follows:

Governmental activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Assets.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $2,089,160 for the fiscal year ended June 30, 2009. Of this amount, $2,298,105 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. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2009	**2008**
Current and other assets	$ 12,992,246	$ 21,285,190
Capital assets	38,813,392	33,286,398
Total Assets	51,805,638	54,571,588
Current liabilities	5,006,689	7,315,188
Long-term liabilities	44,709,789	45,937,296
Total Liabilities	49,716,478	53,252,484
Net assets		
Invested in capital assets, net of related debt	(2,653,725)	(3,148,829)
Restricted	2,444,780	2,762,240
Unrestricted	2,298,105	1,705,693
Total Net Assets	$ 2,089,160	$ 1,319,104

The $2,298,105 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table 2

	Governmental Activities	
Revenues	**2009**	**2008**
Program revenues		
Charges for services	$ 180,061	$ 510,294
Operating grants and contributions	2,844,710	3,595,507
General revenues:		
Federal and State aid	9,595,155	8,874,107
Property taxes	18,207,071	16,986,066
Other general revenues	4,145,418	4,007,415
Total Revenues	34,972,415	33,973,389
Expenses		
Instruction related	25,342,533	24,865,213
Student support services	1,724,669	1,545,154
Administration	1,763,144	1,964,612
Maintenance and operations	3,060,107	3,037,061
Other	2,311,906	2,144,745
Total Expenses	34,202,359	33,556,785
Change in Net Assets	$ 770,056	$ 416,604

Governmental Activities

As reported in the Statement of Activities on page 13, the cost of all of our governmental activities this year was $34,202,359. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $18,207,071 because the cost was paid by those who benefited from the programs, $180,061, or by other governments and organizations who subsidized certain programs with grants and contributions ($2,844,710). We paid for the remaining "public benefit" portion of our governmental activities with $9,595,155 in Federal and State aid and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: regular instruction, instruction related activities, pupil services, and other as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	$ 21,475,855	$ 21,286,196	$ 18,938,328	$ 17,926,890
Instruction related activities	3,866,678	3,579,017	3,715,785	3,195,033
Pupil services	1,724,669	1,545,154	1,391,116	1,309,726
General administration	1,763,144	1,964,612	1,760,346	1,856,480
Plant services	3,060,107	3,037,061	3,060,107	3,018,110
Other	2,311,906	2,144,745	2,311,906	2,144,745
Totals	$ 34,202,359	$ 33,556,785	$ 31,177,588	$ 29,450,984

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $9,734,603, which is a decrease of $5,726,969 from last year.

The primary reasons for the changes between 2008 and 2009 are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund remained stable increasing by $733,749 because of a revenue limit deficit.
b. Our Building Fund is our fund that accounts separately for proceeds from sale of bonds and acquisition of major governmental capital facilities and buildings. The fund balance in the Building Fund decreased $6,345,332 primarily due to expenditures related to three capital projects in process.
c. Our Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs. The fund balance in the Bond Interest and Redemption Fund increased $162,133, primarily due to an increase in the collection of property taxes that will be used for repayment of the bonds and an increase in the principal and interest bond repayments due to the issuance of new bonds in the prior year.
d. A decrease of $277,519 in the fund balances for our other Non-major funds resulting mostly from our Deferred Maintenance fund; the District transferred out $131,314 to the General fund (the prior-year match) per State-sanctioned Categorical Flexibility (Tier 3). Deferred Maintenance fund revenues are less and there are increases in expenditures.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2009. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 44.

The primary reasons for the changes in the revenues and expenditures between the original and final budgets and the actual amounts are:

- Budgeted revenues increased between original budget and final budget of $1,224,042, of which $1,344,648 was due to Federal Stimulus ARRA fundings (SFSF and IDEA). Also, an increase in local support. Additionally, no transfer out to Deferred Maintenance fund; but instead a transfer back from Deferred Maintenance fund for the matching from previous year (2007-08).

- There were also modifications, based on close monitoring of actual events throughout the year.

- The District originally projected a decrease in the general fund of $511,952 and the actual net change in fund balance is an increase of $598,920. Although revenues were $1,224,042 more than expected, expenditures were $799,542 more than originally projected. The District froze expenditures and monitored every transaction closely to control the budget during the State Budget crisis. Increases in revenue are from one-time local donations and new Federal programs.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had $38,813,392 in a broad range of capital assets, including land and improvements, furniture and equipment, and construction in progress. This amount represents a net increase (including additions, deductions and depreciation) of $5,526,994 from last year due to new expenditures related to the Maintenance shop, the Piedmont High School, Haven, Beach, and Wildwood Elementary site improvements and other district-wide projects.

Table 4

	Governmental Activities	
	2009	2008
Land and improvements	$ 4,581,015	$ 4,731,224
Buildings and improvements	21,765,470	22,417,511
Furniture and equipment	167,696	189,857
Construction in progress	12,299,211	5,947,806
Totals	$ 38,813,392	$ 33,286,398

Additional detail on capital assets can be found in Note #4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $46,294,898 of long term debt outstanding versus $47,282,405 last year, a decrease of 2 percent. The long term obligations outstanding consisted of:

Table 5

	Governmental Activities	
	2009	**2008**
General obligation bonds	$ 45,592,605	$ 46,600,139
General obligation bond premiums	490,921	521,030
Accumulated vacation	211,372	161,236
Totals	$ 46,294,898	$ 47,282,405

We present more detailed information regarding our long-term obligations in Note #7 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-09 ARE NOTED BELOW:

Maintained educational programs for all students K-12, and settled all collective bargaining issues including increased compensation for employees through June 30, 2009 and with the Teachers' Association through June 30, 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-10 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Effective July 1, 2009, the Parcel Taxes B & C will increase 5% over the level of 2007-08. Additionally, there will be a new "Emergency" Parcel Tax – Measure E for $997,000 to help balance the cuts in Revenue Limit and State revenues effective through 2012 pending Board approval.
2. Revenue limit income will increase 4.25% based on ADA P-2 at June 30, 2009, (based on information provided by California School Services) with a deficit of 18.355%; ADA is projected slightly higher from the previous year.
3. Interest earnings reduced significantly from 3.60% to 0.67% per California School Services' Dartboard advice.
4. Federal income increases are due to Stimulus Federal funding and State Categorical program decreases at 4.6% COLA.
5. A transfer of approximately $530,000 from Parcel Tax Reserve fund to General fund.
6. A transfer of $120,000 from Adult Education fund to General fund for support costs. An increase of $87,800 from the previous 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 Constance Hubbard, Superintendent, at Piedmont Unified School District, Piedmont, California or e-mail at chubbard@piedmont.k12.ca.us.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS	
Deposits and investments	$ 8,546,136
Receivables	3,576,449
Prepaid expenses	347,247
Deferred charges	513,800
Capital assets not depreciated	12,634,234
Capital assets, net of accumulated depreciation	26,179,158
Net OPEB asset	8,614
Total Assets	51,805,638
LIABILITIES	
Accounts payable	2,711,712
Interest payable	709,868
Current portion of long-term obligations	1,585,109
Noncurrent portion of long-term obligations	44,709,789
Total Liabilities	49,716,478
NET ASSETS	
Invested in capital assets, net of related debt	(2,653,725)
Restricted for:	
Debt service	1,755,516
Educational programs	111,698
Special revenue	577,566
Unrestricted	2,298,105
Total Net Assets	$ 2,089,160

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

PIEDMONT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	$ 21,475,855	$ -	$ 2,537,527	$ (18,938,328)
Instruction-related activities:				
Supervision of instruction	622,238	-	-	(622,238)
Instructional library, media, and technology	597,849	-	-	(597,849)
School site administration	2,646,591	-	150,893	(2,495,698)
Pupil services:				
Home-to-school transportation	89,438	-	15,192	(74,246)
Food services	198,601	180,061	6,829	(11,711)
All other pupil services	1,436,630	-	131,471	(1,305,159)
General administration:				
Data processing	260,493	-	-	(260,493)
All other general administration	1,502,651	-	2,798	(1,499,853)
Plant services	3,060,107	-	-	(3,060,107)
Ancillary services	288,914	-	-	(288,914)
Interest on long-term obligations	2,022,992	-	-	(2,022,992)
Total Governmental-Type Activities	$ 34,202,359	$ 180,061	$ 2,844,710	(31,177,588)
	General revenues and subventions:			
	Property taxes, levied for general purposes			7,267,933
	Property taxes, levied for debt service			3,181,973
	Taxes levied for other specific purposes			7,757,165
	Federal and State aid not restricted to specific purposes			9,595,155
	Interest and investment earnings			135,239
	Miscellaneous			4,010,179
	Subtotal, General Revenues			31,947,644
	Change in Net Assets			770,056
	Net Assets - Beginning			1,319,104
	Net Assets - Ending			$ 2,089,160

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

PIEDMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 1,090,601	$ 3,915,109	$ 2,460,084	$ 1,080,342	$ 8,546,136
Receivables	3,327,099	5,780	5,300	214,753	3,552,932
Due from other funds	30,000	-	-	50,786	80,786
Prepaid expenses	-	347,247	-	-	347,247
Total Assets	$ 4,447,700	$ 4,268,136	$ 2,465,384	$ 1,345,881	$ 12,527,101
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 1,517,455	$ 1,145,554	$ -	$ 48,703	$ 2,711,712
Due to other funds	50,786	-	-	30,000	80,786
Total Liabilities	1,568,241	1,145,554	-	78,703	2,792,498
Fund Balances:					
Reserved for:					
Legally restricted balances	111,698	-	-	-	111,698
Other reservations	25,000	347,247	-	-	372,247
Unreserved:					
Designated	869,432	-	-	100,000	969,432
Undesignated, reported in:					
General Fund	1,873,329	-	-	-	1,873,329
Special revenue funds	-	-	-	1,111,138	1,111,138
Debt service funds	-	-	2,465,384	-	2,465,384
Capital projects funds	-	2,775,335	-	56,040	2,831,375
Total Fund Balance	2,879,459	3,122,582	2,465,384	1,267,178	9,734,603
Total Liabilities and Fund Balances	$ 4,447,700	$ 4,268,136	$ 2,465,384	$ 1,345,881	$ 12,527,101

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

PIEDMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balance - Governmental Funds		**$ 9,734,603**
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 52,168,064	
Accumulated depreciation is	(13,354,672)	
Net Capital Assets		38,813,392
Deferred charges related to the issuance of debt are expensed over the life of the debt on the government-wide financial statements, but are recorded as an expenditure in the governmental fund statements when the debt was issued.		513,800
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(709,868)
In the governmental funds, the receipt of the special education mandated settlement is reported as revenue in the year received. In the government-wide statements, the settlement is recorded as a receivable and payments received in the current year reduce the receivable amount.		23,517
Long-term asset at year end consists of:		
Net OPEB asset		8,614
Long-term liabilities at year end consist of:		
Bonds payable	(45,592,605)	
Compensated absences (vacations)	(211,372)	
Bond premium net of amortization	(490,921)	
Total Long-Term Liabilities		(46,294,898)
Total Net Assets - Governmental Activities		**$ 2,089,160**

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

PIEDMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	$ 14,294,635	$ -	$ -	$ 283,543	$ 14,578,178
Federal sources	1,622,416	-	-	6,568	1,628,984
Other state sources	2,824,403	-	23,950	168,930	3,017,283
Other local sources	11,656,236	241,538	3,184,581	677,468	15,759,823
Total Revenues	30,397,690	241,538	3,208,531	1,136,509	34,984,268
EXPENDITURES					
Current					
Instruction	20,437,019	-	-	494,304	20,931,323
Instruction-related activities:					
Supervision of instruction	605,689	-	-	-	605,689
Instructional library, media and technology	581,949	-	-	-	581,949
School site administration	2,329,682	-	-	246,520	2,576,202
Pupil services:					
Home-to-school transportation	87,059	-	-	-	87,059
Food services	1,376	-	-	191,943	193,319
All other pupil services	1,398,421	-	-	-	1,398,421
General administration:					
Data processing	253,565	-	-	-	253,565
All other general administration	1,430,486	-	-	32,200	1,462,686
Plant services	2,392,294	235,465	-	302,159	2,929,918
Facility acquisition and construction	-	6,351,405	-	12,073	6,363,478
Ancillary services	281,230	-	-	-	281,230
Debt service					
Principal	-	-	1,315,000	-	1,315,000
Interest and other	-	-	1,731,398	-	1,731,398
Total Expenditures	29,798,770	6,586,870	3,046,398	1,279,199	40,711,237
Excess (Deficiency) of Revenues Over Expenditures	598,920	(6,345,332)	162,133	(142,690)	(5,726,969)
Other Financing Sources (Uses):					
Transfers in	134,829	-	-	-	134,829
Transfers out	-	-	-	(134,829)	(134,829)
Net Financing Sources (Uses)	134,829	-	-	(134,829)	-
NET CHANGE IN FUND BALANCES	733,749	(6,345,332)	162,133	(277,519)	(5,726,969)
Fund Balance - Beginning	2,145,710	9,467,914	2,303,251	1,544,697	15,461,572
Fund Balance - Ending	$ 2,879,459	$ 3,122,582	$ 2,465,384	$ 1,267,178	$ 9,734,603

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

PIEDMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balance - Governmental Funds		**$ (5,726,969)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which capital outlays exceeds depreciation expense in the period.		
Depreciation expense	$ (836,484)	
Capital outlays	6,363,478	
Net Expense Adjustment		5,526,994
Special education settlement received in current year that was recognized in prior year.		(11,853)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(50,136)
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements.		30,109
Payment of costs for the issuance of bonds is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net assets over the live of the bonds.		(34,924)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		1,315,000
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(286,779)
In the statement of activities, overfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.		8,614
Change in Net Assets of Governmental Activities		**$ 770,056**

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

PIEDMONT UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	Agency Funds
ASSETS	
Deposits and investments	$ 211,941
LIABILITIES	
Due to student groups	$ 211,941

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Piedmont Unified School District was unified on July 1, 1936 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one middle school, one high school, one continuation school, and an adult school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Piedmont Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building 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.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (Education Code Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is 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 The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (Education Code Section 42840).

Capital Project Funds The 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).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category includes agency funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2009, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 for equipment and $15,000 for site improvement and building. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 50 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets, except for the net residual amounts due between governmental activities, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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 governmental funds.

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

Deferred Issuance Costs, Premiums and Discounts

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

Fund Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, prepaid expenditures (expenses) and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties.

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. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, there are no such revenues. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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 column of the statement of activities, except for the net residual amounts transferred between governmental activities.

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.

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 1st 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 budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Changes in Accounting Principles

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement will require local governmental employers who provide OPEB as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District has an annual required contribution of $403,927 for the year ended June 30, 2009, and made a contribution of $412,541 resulting in an OPEB asset of $8,614.

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	$ 8,546,136
Fiduciary funds	211,941
Total Deposits and Investments	$ 8,758,077

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	$ 211,941
Cash in revolving fund	25,000
Investments	8,521,136
Total Deposits and Investments	$ 8,758,077

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; and collateralized mortgage obligations.

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

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

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 purchasing a combination of shorter term and longer term investments by maintaining funds in the investment pools listed below. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	$ 7,592,607	0.83
State Investment Pool	928,529	0.64
Total	$ 8,521,136	

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 District's investments in the county pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2009.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. The District has no investments in any one issuer that represent five percent (5%) or more of the total investments that are required to be disclosed at June 30, 2009.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. 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, 2009, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's custodial credit risk is limited as all funds were invested in the state and county investment pools.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 536,534	$ -	$ -	$ 2,207	$ 538,741
State Government					
Apportionment	1,128,101	-	-	192,509	1,320,610
Categorical aid	145,555	-	-	-	145,555
Lottery	172,487	-	-	-	172,487
Other State	595,535		-	-	595,535
Local Government					
Interest	18,635	5,780	5,300	5,027	34,742
Other local sources	730,252	-	-	15,010	745,262
Total	$3,327,099	$ 5,780	$ 5,300	$ 214,753	$ 3,552,932

Additional long term receivables include $23,517 for a special education settlement with payments expected to be received annually over the next two years.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 335,023	$ -	$ -	$ 335,023
Construction in Progress	5,947,806	6,351,405	-	12,299,211
Total Capital Assets Not Being Depreciated	6,282,829	6,351,405	-	12,634,234
Capital Assets Being Depreciated:				
Land Improvements	5,767,569	-	-	5,767,569
Buildings and Improvements	32,963,115	-	-	32,963,115
Furniture and Equipment	796,073	12,073	5,000	803,146
Total Capital Assets Being Depreciated	39,526,757	12,073	5,000	39,533,830
Total Capital Assets	45,809,586	6,363,478	5,000	52,168,064
Less Accumulated Depreciation:				
Land Improvements	1,371,368	150,209	-	1,521,577
Buildings and Improvements	10,545,604	652,041	-	11,197,645
Furniture and Equipment	606,216	34,234	5,000	635,450
Total Accumulated Depreciation	12,523,188	836,484	5,000	13,354,672
Governmental Activities Capital Assets, Net	$ 33,286,398	$ 5,526,994	$ -	$ 38,813,392

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 553,146
Supervision of instruction	16,549
Instructional library, media, and technology	15,900
School site administration	70,389
Home-to-school transportation	2,379
Food services	5,282
All other pupil services	38,209
Ancillary	7,684
Data processing	6,928
All other general administration	39,965
Plant services	80,053
Total Depreciation Expenses Governmental Activities	$ 836,484

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivables and payable balances at June 30, 2009, between major and non-major governmental funds, are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 30,000	$ 30,000
Non-Major Governmental Funds	50,786	-	50,786
Total	$ 50,786	$ 30,000	$ 80,786

All balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

	Transfer From	
Transfer To	Non-Major Governmental Funds	Total
General Fund	$ 134,829	$ 134,829
Total	$ 134,829	$ 134,829

The Deferred Maintenance Fund transferred to the General Fund to reverse District match.	$ 131,314
The Special Reserve - Capital Outlay fund transferred to the General Fund for art projects.	3,515
Total	$ 134,829

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 1,446,625	$ 1,145,554	$ 28,188	$ 2,620,367
State apportionment	70,830	-	20,515	91,345
Total	$ 1,517,455	$ 1,145,554	$ 48,703	$ 2,711,712

NOTE 7 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2008	Additions	Accretions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	$ 46,600,139	$ -	$ 307,466	$ 1,315,000	$ 45,592,605	$ 1,555,000
Add: Bond premium, net	521,030	-	-	30,109	490,921	30,109
Subtotal	47,121,169	-	307,466	1,345,109	46,083,526	1,585,109
Accumulated vacation - net	161,236	50,136	-	-	211,372	-
	$ 47,282,405	$ 50,136	$ 307,466	$ 1,345,109	$ 46,294,898	$ 1,585,109

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation is paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Issued	Accretions	Redeemed	Bonds Outstanding June 30, 2009
6/15/2001	8/1/2018	2.5-5.25%	$17,225,000	$14,515,000	$ -	$ -	$ 620,000	$ 13,895,000
1/11/2005	8/1/2020	3.0-4.0%	$18,415,000	16,595,000	-	-	625,000	15,970,000
7/27/2006	8/1/2031	4.0-6.5%	$14,999,934	15,490,139	-	307,466	70,000	15,727,605
				$46,600,139	$ -	$307,466	$1,315,000	$ 45,592,605

Debt Service Requirements to Maturity

The bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 1,555,000	$ 1,673,496	$ 3,228,496
2011	1,770,000	1,609,034	3,379,034
2012	2,018,807	1,582,964	3,601,771
2013	2,270,281	1,502,778	3,773,059
2014	2,494,222	1,419,574	3,913,796
2015-2019	17,284,561	4,997,218	22,281,779
2020-2024	10,555,000	1,409,804	11,964,804
2025-2029	4,690,673	4,804,527	9,495,200
2030-2032	2,111,390	5,018,610	7,130,000
Total	44,749,934	$ 24,018,005	$ 68,767,939
Accretions to date	842,671		
Total	$ 45,592,605		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to $211,372.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2009, was $403,927 and contributions made by the District during the year were $412,541, which resulted in a net OPEB asset of $8,614. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 8 – DEFEASED DEBT

On June 1, 2001 and January 11, 2005, the District had defeased various capital appreciation bonds by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's long-term obligations. As of June 30, 2009, the amount of defeased debt outstanding but removed from the long-term obligations amounted to $8,030,439.

NOTE 9 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	$ 25,000	$ -	$ -	$ -	$ 25,000
Prepaid expenditures	-	347,247	-	-	347,247
Restricted programs	111,698	-	-	-	111,698
Total Reserved	136,698	347,247	-	-	483,945
Unreserved					
Designated					
Economic uncertainties	869,432	-	-	-	869,432
Other designation	-		-	100,000	100,000
Total Designated	869,432	-	-	100,000	969,432
Undesignated	1,873,329	2,775,335	2,465,384	1,167,178	8,281,226
Total Unreserved	2,742,761	2,775,335	2,465,384	1,267,178	9,250,658
Total	$ 2,879,459	$ 3,122,582	$ 2,465,384	$ 1,267,178	$ 9,734,603

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEIFTS (OPEB OBLIGATION)

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by Piedmont Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the plan consists of 51 retirees and beneficiaries currently receiving benefits and 325 active plan members.

	Certified	Classified	Management
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
Duration of Benefits	To Medicare Age 65*	To Medicare Age**	To Medicare age***
Required Service	10 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	~~Yes~~ No	No*	No*
District Contribution %	100%	100%	100%
District Cap	Least costly single coverage	Least costly single coverage	Least costly single coverage

* Those hired prior to 7/1/01 may receive $100 per month toward the cost of Medicare Supp coverage

** Those hired prior to 7/1/89 receive lifetime coverage and may cover dependents. Those hired after 7/1/89 and before 7/1/08 may receive $100 per month toward Medicare Supp for number of years equal to length of service.
*** Those hired prior to 7/1/08 may receive $150 per month toward Medicare Supp.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2008-09, the District contributed $412,541 to the plan, all of which was used for current premiums (approximately 102 percent of current year's annual required contributions).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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	$ (403,927)
Contributions made	412,541
Increase in net OPEB asset	8,614
Net OPEB asset, beginning of year	-
Net OPEB asset, end of year	$ 8,614

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2009 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Asset
2009	$ 403,927	102%	$ 8,614

Funded Status and Funding Progress

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 the 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. Since this is year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

Projection 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 the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2009, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4 percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 3 percent annual increase in payroll. The remaining amortization period at August 6, 2009, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets and retiree benefits are paid annually on a cash basis.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. During fiscal year ending June 30, 2009, the District contracted with Alameda County Schools Insurance Group JPA (ACSIG) for property and liability insurance coverage. Extended property and liability coverage was provided by NorCal Relief. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2009, the District participated in the ACSIG, an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

Coverage provided by ACSIG, NorCal Relief and Schools Association for Excess Risk (SAFER) for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
Workers' Compensation Program		
Alameda County Schools Insurance Group (ACSIG)	Workers' Compensation	Statutory Limit
Excess Property and Liability Program		
NorCal Relief	Property	\$25,000 - \$275,000
NorCal Relief	Liability	\$25,000 - \$1,025,000
Property and Liability Program		
Schools Association For Excess Risk (SAFER)	Excess Property	\$5,250,000 - \$250,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	\$5,000,000 - \$25,000,000

NOTE 12 - 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).

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, annual cost-of-living adjustments, 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, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2008, and 2007, were $1,256,629, $1,201,832, and $1,154,662, respectively, and equal 100 percent of the required contributions for each year.

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 survivor 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, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were $410,442, $390,763, and $367,885, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $686,373 (4.517 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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, 2009.

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, 2009.

Operating Lease

The District has entered into an operating lease for the use of a school site to conduct its elementary and adult school education while a building owned by the District is under reconstruction. The original term of the lease is for sixteen months expiring in June 2010. The lease agreement includes provisions for exercising three options which would extend the lease through June 2013. This agreement does not contain a purchase option. The lease agreement includes a termination clause that in the event of a breach of the agreement or noncompliance by either party, the non-defaulting party may terminate the agreement with thirty days written notice. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Lease Payment
2010	$ 375,000
Total	$ 375,000

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Havens Elementary School Campus Replacement	$ 20,500,000	08/15/09
	$ 20,500,000	

Supplementary Early Retirement Plan

The District implemented a supplementary early retirement plan (the "Plan") during the year ended June 30, 2009. Eligible employees must have reached Step 22, Column F on the PUSD teacher salary schedule by June 30, 2009, have a minimum of 25 years of qualified public school service credit, have a minimum of ten years of service with the District, be eligible to retire under the State Teachers Retirement System (CalSTRS), and have applied for benefits under the Plan. The District funds the supplemental benefit for each Plan participant through employer contributions of $22,000 for a full-time employee and a prorated amount for a part-time employee over a two year period. Employer contributions for the year ended June 30, 2009 were $78,200. The remaining $78,200 will be paid in 2009-2010.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Alameda County Schools Insurance Group, public entity risk pool. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationship between the District, and the JPA is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District is included in these statements. Audited financial statements are generally available from the entity.

During the year ended June 30, 2009 the District made payments of $453,443 to Alameda County Schools Insurance Group for workers' compensation, property, and liability insurance coverage.

NOTE 15 – FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 16 – SUBSEQUENT EVENTS

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of $24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a State-wide basis, $1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill $1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances. The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpected or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-2010 re-appropriation should not be accrued. However, since the amounts were not material to the District, no adjustments were made to these financial statements.

In October 2009, the District issued $19,000,000 in general obligation bonds as authorized under the 2006 election. The bonds have maturity dates beginning August 2010 through August 2034 with interest rates of 1.0 percent to 5.0 percent. The bonds will be used to finance the repair, replacement or reconstruction of Piedmont public school buildings.

In October 2009, the District issued $13,145,000 in general obligation refunding bonds to refund the outstanding principal amount of the 2001 refunding bonds. The bonds have maturity dates beginning August 2010 through August 2018 with interest rates of 2.0 percent to 3.0 percent.

REQUIRED SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 13,232,353	$ 14,294,635	$ 14,294,635	$ -
Federal sources	880,777	1,622,416	1,622,416	-
Other State sources	2,074,601	2,138,031	2,824,403	686,372
Other local sources	12,299,545	11,656,236	11,656,236	-
Total Revenues[1]	28,487,276	29,711,318	30,397,690	686,372
EXPENDITURES				
Current				
Instruction	19,403,881	19,750,648	20,437,019	(686,371)
Instruction-related activities:				
Supervision of instruction	755,462	579,484	605,689	(26,205)
Instructional library, media, and technology	1,030,384	956,094	581,949	374,145
School site administration	1,975,110	1,981,742	2,329,682	(347,940)
Pupil services:				
Home-to-school transportation	57,429	87,059	87,059	-
Food services	-	-	1,376	(1,376)
All other pupil services	1,438,148	1,399,797	1,398,421	1,376
General administration:				
Data processing	265,873	247,075	253,565	(6,490)
All other general administration	1,382,361	1,436,975	1,430,486	6,489
Plant services	2,413,744	2,392,294	2,392,294	-
Ancillary services	276,836	281,230	281,230	-
Total Expenditures[1]	28,999,228	29,112,398	29,798,770	(686,372)
Excess (Deficiency) of Revenues Over Expenditures	(511,952)	598,920	598,920	-
Other Financing Sources (Uses):				
Transfers in	538,006	134,829	134,829	-
Net Financing Sources (Uses)	538,006	134,829	134,829	-
NET CHANGE IN FUND BALANCES	26,054	733,749	733,749	-
Fund Balance - Beginning	2,145,710	2,145,710	2,145,710	-
Fund Balance - Ending	$ 2,171,764	$ 2,879,459	$ 2,879,459	$ -

[1] On behalf payments of $686,373 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2009	$ -	$ 4,249,446	$ 4,249,446	$ -	$ 20,878,079	20%

SUPPLEMENTARY INFORMATION

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title II - Part A, Improving Teacher Quality	84.367	14341	$ 40,658
Title II - Part D Enhancing Education Through Technology	84.318	14334	496
Title III - Limited English Proficiency (LEP) Student Program	84.365	10084	7,261
Title IV - Part A, Safe and Drug Free Schools and Communities	84.186	14347	4,989
Title V - Part A, Innovative Education Strategies	84.298A	14354	2,937
Elementary and Secondary Education Act			
NCLB: Title I, Part A - Basic Grants Low Income and Neglected	84.010	14981	50,067
ARRA: State Fiscal Stabilization Fund	84.394	25008	899,164
Special Education - State Grants			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	500,226
ARRA: IDEA Local Assistance	84.391	15003	94,707
IDEA Preschool Local Entitlement Part B, Sec 611	84.027A	13682	7,963
ARRA: Part B, Sec 611, Preschool Local Entitlement	84.391	15000	3,801
IDEA Preschool Grants Part B, Sec 619	84.173	13430	5,108
ARRA: IDEA: Part B, Sec 619, Preschool Grants	84.392	15002	5,038
Total U.S. Department of Education			1,622,415
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition, School Programs-Lunch and Breakfast	10.553	13390	6,569
Total U.S. Department of Agriculture			6,569
Total Expenditures of Federal Awards			$ 1,628,984

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2009

ORGANIZATION

The Piedmont Unified School District was established July 1, 1936, and consists of an area comprising approximately 1.7 square miles. The District operates three elementary schools, one middle school, one high school, one continuation school, and an adult school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
June Monarch	President	2012
Ray Gadbois	Vice President	2010
Roy Tolles	Member	2010
Martha Jones	Member	2012
Richard Raushenbush	Member	2012

ADMINISTRATION

NAME	TITLE
Constance Hubbard	Superintendent
Michael Brady	Assistant Superintendent, Business
Michelle Nguyen	Director, Fiscal Services

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2009

	Second Period Report	Revised Annual Report
ELEMENTARY		
Kindergarten	172	173
First through third	505	505
Fourth through sixth	571	571
Seventh and eighth	378	376
Home and hospital	-	-
Special education	4	4
Total Elementary	1,630	1,629
SECONDARY		
Regular classes	759	756
Continuation education	79	78
Home and hospital	2	2
Special education	6	6
Total Secondary	846	842
Total K-12	2,476	2,471
CLASSES FOR ADULTS		
Concurrently enrolled	42	37
Not concurrently enrolled	84	85
Total Classes for Adults	126	122
Grand Total	2,602	2,593

	Hours of Attendance
SUMMER SCHOOL	
Elementary	1,338
High school	12,377
Total Hours	13,715

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009

				Number of Days		
Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2008-2009 Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Kindergarten	31,500	36,000	36,000	180	N/A	In Compliance
Grade 1	41,780	50,400	51,750	180	N/A	In Compliance
Grade 2	41,780	50,400	51,750	180	N/A	In Compliance
Grade 3	41,780	50,400	51,750	180	N/A	In Compliance
Grade 4	50,420	54,000	54,339	180	N/A	In Compliance
Grade 5	50,420	54,000	54,339	180	N/A	In Compliance
Grade 6	50,420	54,000	66,200	180	N/A	In Compliance
Grade 7	65,300	54,000	67,080	180	N/A	In Compliance
Grade 8	65,300	54,000	67,080	180	N/A	In Compliance
Grade 9	65,165	64,800	66,380	180	N/A	In Compliance
Grade 10	65,165	64,800	66,380	180	N/A	In Compliance
Grade 11	65,165	64,800	66,380	180	N/A	In Compliance
Grade 12	65,165	64,800	66,380	180	N/A	In Compliance

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Summarized below is the reconciliation between the Unaudited Actual Financial Report Fund Balance and the audited financial statements.

	Building Fund
FUND BALANCE	
Balance, June 30, 2009, Unaudited Actuals	$ 2,935,082
Increase in:	
Prepaid expenses	187,500
Balance, June 30, 2009, Audited Financial Statement	$ 3,122,582

Summarized below are the reconciliations between the Unaudited Actual Financial Report Supplemental Form Asset and Form Debt and the audited financial statements.

FORM ASSET	
Total Capital Assets, June 30, 2009, Unaudited Actuals	$ 38,995,892
Decrease in:	
Construction in progress	(187,500)
Accumulated depreciation	5,000
Total Capital Assets, June 30, 2009, Audited Financial Statement	$ 38,813,392
FORM DEBT	
Total Long-Term Liabilities, June 30, 2009, Unaudited Actuals	$ 45,496,511
Increase in:	
General Obligation Bonds	798,387
Total Long-Term Liabilities, June 30, 2009, Audited Financial Statement	$ 46,294,898

See accompanying note to supplementary information.

PIEDMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget) 2010[1]	2009	2008	2007
GENERAL FUND				
Revenues[3]	$ 28,066,725	$ 29,711,317	$ 28,916,940	$ 28,384,099
Other sources and transfers in	296,460	134,829	3,490	1,338
Total Revenues and Other Sources	28,363,185	29,846,146	28,920,430	28,385,437
Expenditures[3]	29,184,102	29,112,397	28,712,587	26,761,055
Other uses and transfers out	-	-	150,000	635,000
Total Expenditures and Other Uses	29,184,102	29,112,397	28,862,587	27,396,055
INCREASE (DECREASE) IN FUND BALANCE	$ (820,917)	$ 733,749	$ 57,843	$ 989,382
ENDING FUND BALANCE	$ 2,058,542	$ 2,879,459	$ 2,145,710	$ 2,087,867
AVAILABLE RESERVES[2]	$ 2,455,416	$ 3,276,333	$ 2,417,872	$ 1,657,502
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	8.41%	11.53%	8.38%	6.05%
LONG-TERM DEBT	$ 44,709,789	$ 46,294,898	$ 47,282,405	$ 48,206,766
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,485	2,476	2,483	2,518

The General Fund balance has increased by $791,592 over the past two years. The fiscal year 2009-2010 budget projects a decrease of $820,917 (29 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating deficit during the 2009-2010 fiscal year.

Average daily attendance has decreased by 42 over the past two years. An increase of 9 ADA is anticipated during fiscal year 2009-2010.

[1] Budget 2010 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, Special Reserve Fund (other than capital outlay).

[3] On-behalf payments of $686,373, $656,364, and $630,131, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2009, 2008, and 2007.

See accompanying note to supplementary information.

Th

PIEDMONT UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 13,077	$ 18,894	$ 356,509
Receivables	450	17,244	194,309
Due from other funds	50,786	-	-
Total Assets	$ 64,313	$ 36,138	$ 550,818
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 26,492	$ 2,532	$ 14,679
Due to other funds	-	30,000	-
Total Liabilities	26,492	32,532	14,679
Fund Balances:			
Unreserved:			
Designated	-	-	-
Undesignated, reported in:			
Special revenue funds	37,821	3,606	536,139
Capital projects funds	-	-	-
Total Fund Balance	37,821	3,606	536,139
Total Liabilities and Fund Balances	$ 64,313	$ 36,138	$ 550,818

See accompanying note to supplementary information.

Special Reserve Non-Capital Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
$ 631,112	$ 60,750	$ 1,080,342
2,460	290	214,753
-	-	50,786
$ 633,572	$ 61,040	$ 1,345,881
$ -	$ 5,000	$ 48,703
-	-	30,000
-	5,000	78,703
100,000	-	100,000
533,572	-	1,111,138
-	56,040	56,040
633,572	56,040	1,267,178
$ 633,572	$ 61,040	$ 1,345,881

PIEDMONT UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	$ 283,543	$ -	$ -
Federal sources	-	6,568	-
Other state sources	2,692	-	166,238
Other local sources	472,062	183,540	7,699
Total Revenues	758,297	190,108	173,937
EXPENDITURES			
Current			
Instruction	494,304	-	-
Instruction-related activities:			
School site administration	246,520	-	-
Pupil services:			
Food services	-	191,943	-
All other general administration	32,200	-	-
Plant services	75	-	295,404
Facility acquisition and construction	-	-	12,073
Total Expenditures	773,099	191,943	307,477
Excess (Deficiency) of Revenues Over Expenditures	(14,802)	(1,835)	(133,540)
Other Financing Sources (Uses):			
Transfers out	-	-	(131,314)
Net Financing Sources (Uses)	-	-	(131,314)
NET CHANGE IN FUND BALANCES	(14,802)	(1,835)	(264,854)
Fund Balance - Beginning	52,623	5,441	800,993
Fund Balance - Ending	$ 37,821	$ 3,606	$ 536,139

See accompanying note to supplementary information.

Special Reserve Non-Capital Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 283,543
-	-	6,568
-	-	168,930
9,438	4,729	677,468
9,438	4,729	1,136,509
-	-	494,304
-	-	246,520
-	-	191,943
-	-	32,200
-	6,680	302,159
-	-	12,073
-	6,680	1,279,199
9,438	(1,951)	(142,690)
(3,515)	-	(134,829)
(3,515)	-	(134,829)
5,923	(1,951)	(277,519)
627,649	57,991	1,544,697
$ 633,572	$ 56,040	$ 1,267,178

PIEDMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2009

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.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to 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 requirement, whichever is greater, as required by Education Code Sections 46201.

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 Unaudited Actual Financial Report to the audited financial statements.

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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

INDEPENDENT AUDITORS' REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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*

Governing Board
Piedmont Unified School District
Piedmont, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piedmont Unified School District as of and for the year ended June 30, 2009, which collectively comprise Piedmont Unified School District's basic financial statements and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2009-1 to be significant deficiencies in internal control over financial reporting.

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A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Piedmont 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*.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2009

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
Piedmont Unified School District
Piedmont, California

Compliance

We have audited the compliance of Piedmont Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Piedmont Unified School District's major Federal programs are identified in the summary of auditors' 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 Piedmont Unified School District's management. Our responsibility is to express an opinion on Piedmont 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 Piedmont 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 Piedmont Unified School District's compliance with those requirements.

In our opinion, Piedmont Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Piedmont 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 Piedmont 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, 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 Piedmont Unified School District's internal control over compliance.

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A *control deficiency* in a district's 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2009

vtd

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Piedmont Unified School District
Piedmont, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piedmont Unified School District (the "District") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. 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 Educational Agencies 2008-2009,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Piedmont Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Piedmont Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:	8	Yes
Attendance reporting	23	Yes
Independent study	10	Yes
Continuation education		
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes, See below
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes

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	Procedures in Audit Guide	Procedures Performed
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter school with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After schools	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporary records of attendance		Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	1	Not Applicable
Determination of funding for non classroom-based instruction	15	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable
	3	

We performed testing of procedure (a) only for Instructional Materials general requirements, as additional procedures were not determined to be required.

Based on our audit, we found that for the items tested, the Piedmont Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Piedmont Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Piedmont Unified School District's compliance with the State laws and regulations referred to above.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2009

Schedule of Findings and Questioned Costs

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84,027A, 84.173, 84.391, 84.392	Special Education Cluster
84.394	ARRA: State Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for State programs:	Unqualified

PIEDMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

The following findings represent significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2009-1 Internal Control - Associated Student Body - 30000

Criteria or Specific Requirements
Strong internal controls over the financial reporting of the Associated Student Body (ASB) accounts should include the concepts of segregation of duties. Segregation of duties enhances the ability to safeguard assets by providing for a system that is designed to prevent or detect errors or misappropriation.

Condition
Significant Deficiency - During our review of the ASB accounts at Piedmont Middle School and Millennium High School in the current year and Piedmont High School in the prior year, we noted conditions indicating that segregation of duties is limited in some instances, and that operating controls are not functioning at their optimum levels. In particular we noted the following:

Piedmont Middle School
- Pre-numbered receipts or alternate tracking systems should be used for moneys collected,
- 24 checks dated September 2008 were not deposited as of March 2009,
- The ASB bookkeeper is an authorized signer on the checks,
- The ASB bookkeeper approves disbursements,
- 4 out of 12 disbursements tested did not have supporting documents attached and the documents were unable to be located during our visit,
- None of the disbursements tested had receiving documentation,
- As of March 2009, bank reconciliations had not been performed since November 2008,
- We did not observe any evidence of an independent review of the bank reconciliations.

Millennium High School
- Pre-numbered receipts are not used for moneys collected,
- The ASB bookkeeper is an authorized signer on the checks,
- 6 out of 19 reimbursement requests tested did not have receipts attached,
- None of the disbursements tested had receiving documentation.

Questioned costs
None

Context
All ASB transactions processed at Piedmont Middle School, Millennium High School, and Piedmont High School.

Effect
The ASB financial accounting structure may not detect errors or misappropriation of ASB funds. Older outstanding checks may indicate inaccurate financial records as the checks may have been replaced or may need to be voided.

Cause
The policies and procedures for accounting for these ASB funds that are designed to require an after the fact review of the activity by a second individual do not appear to be operating effectively.

Recommendation
While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of individual ASB transactions, a mitigating control that may help to limit opportunities for errors or misappropriations to occur would be to have a second individual perform a monthly review of the checkbook activity and bank reconciliations and to implement procedures to address the internal control items noted above.

District Response

Piedmont Middle School
Upon discussions with site administrators and review of site documents, the District is satisfied that all ASB expenditures are appropriate. With respect to areas highlighted, the District responses are as follows:

- Numbered receipt lists are maintained by individual classroom teachers when collecting funds from students (numbered receipt books are impractical).
- ASB authorized signatures will change to conform to requirements stated
- Site administrators confirm the finding of the audit team related to attachment of supporting documentation and receiving documentation.
- Independent review of bank reconciliations will be confirmed through site principal with date and signature.

Millennium High School
With respect to areas highlighted, the District responses are as follows:

- Numbered receipt lists will be maintained on site, confirming the findings of the audit team.
- ASB authorized signatures will change to conform to requirements stated.
- The site confirms the findings of the audit team related to attachment of receipts, and will reimburse the ASB fund for the amounts where receipts were not available, thus removing any possibility of expenditures being inadvertently charged to ASB.

PIEDMONT UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

None reported.

PIEDMONT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

None reported.

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2008-1 Internal Control - Associated Student Body - 30000

Criteria or Specific Requirements
Strong internal controls over the financial reporting of the Associated Student Body (ASB) accounts should include the concepts of segregation of duties. Segregation of duties enhances the ability to safeguard assets by providing for a system that is designed to prevent or detect errors or misappropriation.

Condition
Significant Deficiency - During our review of the ASB accounts at Piedmont High School and Millennium High School, we noted conditions indicating that segregation of duties is limited in some instances, and that operating controls are not functioning at their optimum levels. In particular we noted the following:

Piedmont High School

- 4 out of 23 invoices supporting the disbursements did not agree to amount paid. The amounts paid were greater than the supporting invoices,
- 7 out of 23 disbursements were missing the appropriate three signatures for approval,
- 3 out of 23 disbursements did not have supporting documents attached and the documents were unable to be located during our visit,
- We did not observe any evidence of an independent review of the bank reconciliations,
- We noted 4 stale dated checks over a year old.

Millennium High School

- Pre-numbered receipts are not used for moneys collected,
- The ASB bookkeeper is an authorized signer on the checks,
- 2 out of 6 reimbursement requests tested did not have receipts attached,
- None of the disbursements tested contained the required 3 signatures,
- None of the disbursements tested had receiving documentation.

Questioned costs
None

Context
All ASB transactions processed at Piedmont High School and Millennium High School

Effect
The ASB financial accounting structure may not detect errors or misappropriation of ASB funds. Older outstanding checks may indicate inaccurate financial records as the checks may have been replaced or may need to be voided.

Cause
The policies and procedures for accounting for these ASB funds were not designed to require review of activity by a second individual.

Recommendation
While we recognize it may not be economically feasible to have multiple individuals involved in the day to day processing of individual ASB transactions, a mitigating control that may help to limit opportunities for errors or misappropriations to occur would be to have a second individual perform a monthly review of the checkbook activity and bank reconciliations and to implement procedures to address the internal control items noted above.

Current Status
Not implemented. See 2009-1 in Current Year Financial Statement Findings.

2008-2 Internal Control – Capital Assets- 30000

Criteria or Specific Requirements
Strong internal controls over the financial reporting of the District accounts should include the accurate tracking of equipment and other capital assets for purposes of verifying existence, and recording conversion entries so that accurate district-wide financial statements may be prepared.

Condition
Significant Deficiency - During our review of the District's capital assets, we noted that there were errors in the tracking of fixed asset additions and the calculation of accumulated depreciation. We also noted that the physical inventory listing prepared by the facilities department was not reconciled to the capital asset summary worksheet used for financial reporting.

Questioned Costs
None

Context
The capital assets of the District are approximately $46 million and accumulated depreciation is approximately $12 million.

Effect
The District financial accounting structure may not detect errors in capitalizing of capital assets or recording of inappropriate amounts of depreciation.

Cause
The policies and procedures for accounting for the District capital asset transactions were not designed to require review of activity by a second individual.

Recommendation
Due to the level of increasing dollars involved in building projects and the tracking of such, we recommend that an individual other than the one preparing the capital asset schedules, review the annual summaries and consider if cost information and depreciation calculations are correct. In addition, we recommend the District consider the potential of providing additional training related to capital asset accounting to those involved in the process.

Current Status
Implemented.

2008-3 Internal Control - Accrued Vacation- 30000

Criteria or Specific Requirements
Strong internal controls over the financial reporting of the District accounts should include the appropriate valuation of vacation liabilities.

Condition
Significant Deficiency - During our review of the District's compensated absences liability, we noted that the District does not include a component to value the benefits portion of the vacation commitment.

Questioned Costs
None

Context
The compensated absences, excluding associated benefits, were approximately $160,000 at June 30, 2008.

Effect
The District-wide financial statement liabilities are understated by the amount of the benefits associated with the compensated absences. The benefit component is not expected to be material to the financial statements at this time, but should be included in order to present a complete picture of the District's financial status.

Cause
The policies and procedures for accounting for compensated absences do not include a component to estimate and include a benefits percentage.

Recommendation
We recommend that the District include an estimated component for benefit costs when calculating and recording compensated absence liabilities.

Current Status
Implemented.

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

To the Governing Board
Piedmont Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining non-major fund information of Piedmont Unified School District for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2008. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Piedmont Unified School District are described in Note 1 to the financial statements. As described in Note 1, the District changed accounting policies by adopting Statement of Government Accounting Standards (GASB Statement) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions*, in 2009. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net assets. The application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's assumptions used to calculate the other postemployment benefit obligation (OPEB) and management's estimate of the useful lives of capital assets to compute depreciation expense.

Management's estimate of the OPEB obligation is based on actuarial assumptions and methods used in an actuarial study performed by Total Compensation Systems, Inc. and other factors. Significant actuarial assumptions used include the medical trend rate, the investment return rate, the inflation rate, and payroll increase rate. Management's best estimate of depreciation is based upon useful lives of five to fifty years computed on a straight-line basis. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • PALO ALTO

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarized uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Governing Board, the California Department of Education, the State Controller's Office, and management of Piedmont Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 14, 2009

PIEDMONT UNIFIED SCHOOL DISTRICT

SUMMARY OF UNRECORDED DIFFERENCES
JUNE 30, 2009

Description of Audit Difference	Cause	Financial Statements Effects: Total Assets	Total Liabilities	Fund Balance	Net Income/Loss
Cash	Fund 14 clearing account not cleared at year end	$ 26,841		$ 26,841	$ 26,841
Investments	Investments not recorded at fair market value	34,708	-	34,708	34,708
Accounts Receivable - Categoricals	Late change to state budget	(157,112)		(157,112)	(157,112)
Accounts Payable	Estimated amounts		22,870	22,870	22,870
Accounts Payable	Supplementary early retirement incentive due within one year not included	-	(78,200)	(78,200)	(78,200)
Revenue	Class Size Reduction	4,585		4,585	4,585
	Total	(117,819)	(55,330)	(173,149)	(173,149)
	Financial Statement Caption Totals	$ 51,805,638	$ 49,716,478	$ 2,089,160	$ 770,056
	Net Audit Differences as % of F/S Captions	-0.23%	-0.11%	-8.29%	-22.49%

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

___________, 2010

Piedmont Unified School District
760 Magnolia Avenue
Piedmont, California 94611

OPINION: $________________ Piedmont Unified School District (Alameda County, California) 2010 General Obligation Bond Anticipation Notes

Members of the Board of Education:

We have acted as bond counsel in connection with the delivery by the Piedmont Unified School District (the "District") of $________________ aggregate principal amount of notes of the District, designated the "Piedmont Unified School District (Alameda County, California) 2010 General Obligation Bond Anticipation Notes" (the "Notes"), under the laws of the State of California and a Resolution adopted by the Board of Education of the District on April 28, 2010 (the "Authorizing Resolution"), authorizing the issuance of the Notes.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Authorizing Resolution and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The District is a school district duly organized and existing under the laws of the State of California, with power to adopt the Authorizing Resolution, to perform the agreements on its part contained therein and to issue the Notes. The Notes constitute legal, valid and binding special obligations of the District enforceable in accordance with their terms and payable solely from the sources provided therefor in the Authorizing Resolution.

2. The Authorizing Resolution has been duly adopted by the Board of Education of the District and constitutes a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms. The Authorizing Resolution establishes a valid first and exclusive lien on and pledge of the proceeds of the General Obligation Bonds (as such term is defined in the Authorizing Resolution) and other funds pledged thereby for the security of the Notes, in accordance with the terms of the Authorizing Resolution.

3. Interest on the Notes is exempt from California personal income taxation.

4. The interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Notes are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest payable with respect to the Notes. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Authorizing Resolution and in other instruments relating to the Notes to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

The rights of the owners of the Notes, and the enforceability of the Notes and the Authorizing Resolution, may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

PIEDMONT UNIFIED SCHOOL DISTRICT
2010 GENERAL OBLIGATION BOND ANTICIPATION NOTES

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Piedmont Unified School District (the "District") in connection with the issuance of $________________ aggregate principal amount of 2010 General Obligation Bond Anticipation Notes (the "Notes"). The Notes are being issued under a resolution adopted by the Board of Trustees of the District on April 28, 2010, (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is 9 months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011, with the report for the 2009-10 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and the Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Paying Agent and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed under Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the district as of the end of the preceding fiscal year;

(iii) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year; and

(iv) if the County is no longer operating under the "Teeter Plan", the prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy, to the extent this information is made available to the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.
(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions or events affecting the tax-exempt status of the security.
(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities.

(11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3, 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Notes, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent has only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and hold the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section survive resignation or removal of the Dissemination Agent.

Section 13. Beneficiaries. This Disclosure Certificate inures solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and creates no rights in any other person or entity.

Date: ___________, 2010

PIEDMONT UNIFIED SCHOOL DISTRICT

By ____

Superintendent

APPENDIX E

ACCRETED VALUE TABLE

Date	Accreted Value*

*Per $5,000 maturity value.

APPENDIX F

THE ALAMEDA COUNTY INVESTMENT POOL

The County Investment Pool. As required by state law, the District deposits all of its general fund revenues with the County of Alameda's Treasury Commingled Pool. The objectives of the County's investment policy, in order of priority, are safety of principal, maintenance of liquidity, and attainment of a market rate of return that considers risk constraints and cash flow requirements.

The Treasurer prepares a quarterly Investment Report (the **"Investment Report"**) summarizing the status of the Treasury Pool. According to the Investment Report for the quarter ending March 31, 2010, the March 31, 2010 book value of the Treasury Pool was approximately $3,213,889,245 and the corresponding market value was approximately $3,214,842,388. As of March 31, 2010, the weighted average maturity of the portfolio was 283 days. The following table identifies the types of securities held by the Pool as of March 31, 2010.

Type of Investment	Book Value	Market Value	% of Pool (Book Value)
LAIF	$40,000,000	$40,054,976	1.24%
Collateralized Time Deposits	149,348,000	149,450,809	4.65
Money Market Funds	609,500,000	609,607,386	18.96
Federal Agency Notes and Bonds	704,275,750	707,257,069	21.91
Federal Agency Discount Notes	1,399,531,931	1,402,817,312	43.55
Medium Term Notes	505,496	503,050	0.02
Treasury Securities	249,540,956	249,987,380	7.77
Total	$3,152,702,133	$3,159,677,982	98.10%
Cash in bank and on hand	61,187,11	61,187,112	1.90
Total Treasury Pool	$3,213,889,245	$3,220,865,094	100.00%

Source: Alameda County Treasurer.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2010 Notes, payment of principal, interest and other payments on the 2010 Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2010 Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the issuer of the 2010 Notes (the "Issuer") nor the trustee or fiscal agent appointed with respect to the 2010 Notes (the "Trustee") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2010 Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2010 Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2010 Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2010 Notes. The 2010 Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the 2010 Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Book-Entry Only System. Purchases of the 2010 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2010 Notes, except in the event that use of the book-entry system for the 2010 Notes is discontinued.

To facilitate subsequent transfers, all 2010 Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2010 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2010 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2010 Notes may wish to ascertain that the nominee holding the 2010 Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2010 Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2010 Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 2010 Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2010 Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Notes at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2010 Note certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the 2010 Notes, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the 2010 Notes. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered 2010 Note for each maturity of the 2010 Notes registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the indenture or fiscal agent agreement executed in connection with the 2010 Notes. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the 2010 Notes, then the 2010 Notes will no longer be restricted to being registered in the 2010 Note registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the 2010 Notes designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the 2010 Notes will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the 2010 Notes will be payable upon surrender thereof at the corporate trust office of the Trustee, (iii) interest on the 2010 Notes will be payable by check mailed by first-class mail or, upon the written request of any Owner of $1,000,000 or more in aggregate principal amount of 2010 Notes received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the 2010 Notes will be transferable and exchangeable as provided in the indenture or fiscal agent agreement executed in connection with the 2010 Notes.