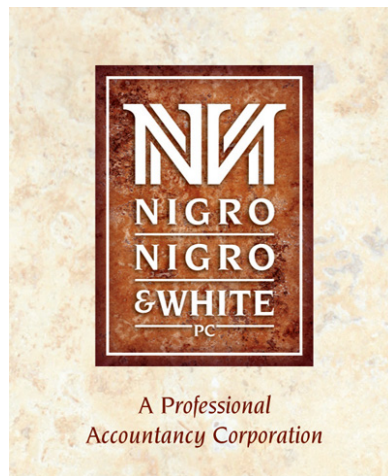


**MEASURE J  
BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2009**



**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2009  
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**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Introduction and Citizens' Bond Oversight Committee Member Listing  
June 30, 2009**

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Pittsburg Unified School District (the District) was established in 1933 and covers approximately 61 square miles. The District provides education for grades K-12 and is currently operating: Eight elementary schools, two middle schools, a comprehensive high school, a continuation high school, an adult education program, and an independent study and alternative learning center.

On November 7, 2006, the voters of Contra Costa County approved by more than 55% Measure J, authorizing the issuance and sale of \$85,000,000 of general obligation bonds. On September 26, 2007, the District issued Series A of the Election of 2006 General Obligation Bonds in the amount of \$15,000,000. On May 12, 2009, the District issued Series B of the Election of 2006 General Obligation Bonds in the amount of \$35,000,000.

Measure J was a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure J including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond proceeds.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2009:

<b>Name</b>	<b>Title</b>	<b>Representation</b>
Richard Tomlinson	Chairperson	School Site Council Parent
De'Shawn Woolridge	Vice Chairperson	Community At Large Member
Marvin Pounds	Member	Community At Large Member
Eddie Hart, Jr.	Member	Community At Large Member
Anthony Blackman	Member	Community At Large Member
Guadalupe Balderas	Member	DELAC Parent
Fran Confetti	Member	Senior Citizen Organization
Andre Mims	Member	District Parent
Ron Quesada	Member	Chamber of Commerce



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Measure J Citizens' Bond Oversight Committee and  
Governing Board Members of  
Pittsburg Unified School District  
Pittsburg, California

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of the Measure J Bond Building Fund of Pittsburg Unified School District (the "District") and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year ended June 30, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1A, the financial statements present only the individual Measure J Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure J Bond Building Fund of Pittsburg Unified School District as of June 30, 2009 and for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010 on our consideration of Measure J Bond Building Fund of Pittsburg Unified School District's internal control over financial reporting and 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 assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Measure J Bond Building Fund of Pittsburg Unified School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Nigro Nigro & White, PC".

San Diego, California

January 15, 2010

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*Financial Section*

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**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
**Balance Sheet**  
**June 30, 2009**

---

<b>ASSETS</b>	
Investments	\$ 35,000,000
Accounts receivable - interest	49,184
	<hr/>
Total Assets	\$ 35,049,184
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Cash overdraft	\$ 4,220,030
Accounts payable	10,693,344
	<hr/>
Total Liabilities	14,913,374
	<hr/>
<b>Fund Balance</b>	
Reserved for capital projects	20,135,810
	<hr/>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 35,049,184</b>
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2009**

---

<b>REVENUES</b>	
Earnings on investments	\$ 135,447
<b>Total Revenues</b>	<u>135,447</u>
<b>EXPENDITURES</b>	
Facility acquisition and construction	26,383,147
Issuance costs	718,382
<b>Total Expenditures</b>	<u>27,101,529</u>
<b>Deficiencies of Revenues</b>	
Under Expenditures	<u>(26,966,082)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from sale of bonds	35,000,000
Premium on sales of bonds	761,156
Transfer out to debt service fund	(42,774)
<b>Total Other Financing Sources (Uses)</b>	<u>35,718,382</u>
<b>Net Change in Fund Balance</b>	<u>8,752,300</u>
<b>Fund Balance, July 1, 2008</b>	<u>11,383,510</u>
<b>Fund Balance, June 30, 2009</b>	<u><u>\$ 20,135,810</u></u>

The notes to financial statements are an integral part of this statement



**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2009**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Pittsburg Unified School District was founded in 1933 under the laws of the State of California. This 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 Federal agencies. The District operates eight elementary schools, two middle schools, a comprehensive high school, a continuation high school, an adult education program, and an independent study and alternative learning center.

On November 7, 2006 the District voters authorized \$85,000,000 in General Obligation Bonds (Measure J) to build new classrooms that emphasize science, technology, and vocational rooms, separate ninth and tenth grade classrooms and facilities, upgrade cafeteria and library, renovate restrooms, and upgrade electrical and plumbing systems at Pittsburg high schools. Pittsburg Unified School District is authorized to repair, place, construct and renovate school facilities and equipment.

An advisory committee to the District's Governing Board and Superintendent, called the Measure J Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include: advising on bond construction priorities, reviewing school bond construction plans, verifying the project plans are in alignment with the budget, and ensuring compliance with the conditions of Measure J.

The statements presented are for the individual Measure J Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

B. Accounting Policies

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

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2009**

---

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collected within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Encumbrances

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

E. Deposits and Investments

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

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2009**

---

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

G. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The adopted and final budget are presented for the Measure J Bond Building Fund in the supplementary information section.

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

**NOTE 2 – CASH AND INVESTMENTS**

Summary of Investments

Cash and investments as of June 30, 2009 included \$35,000,000 held in the Local Agency Investment Fund (LAIF) and a cash overdraft in the Contra Costa County Treasury Pool amounting to \$4,220,303.

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. Investments of debt proceed held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

---

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Policies and Practices (continued)

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

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies some of the investment types permitted in the investment policy:

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

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

General Authorizations (continued)

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

*Investments* – The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of Pool Money Investment Account (PMIA). The investment has a fair market value of \$35,047,747 and an amortized book value of \$35,000,000.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District's Building Fund maintains an investment with the Contra Costa County Investment Pool, which has an overdraft liability of \$4,220,030. The weighted average maturity for this pool is 118 days.

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 individual investments within the Contra Costa County Investment Pool are rated at AAAf/S1 by Standard & Poor's.

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. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2009 consist of interest earned in the amount of \$49,184.

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

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**NOTE 4 – MEASURE J GENERAL OBLIGATION BONDS**

2008 General Obligation Bond

On September 26, 2007, the District issued the Series A of the Election of 2006 Measure J General Obligation Bonds in the amount of \$15,000,000 with issuance costs in the amount of \$287,650 and interest rates that range from 4.0% - 8.0%.

At June 30, 2009, the principal balance outstanding on these bonds was \$12,920,000. The annual requirements to amortize the District’s Measure J, Series A, general obligation bonds outstanding as of June 30, 2009, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 920,000	\$ 584,099	\$ 1,504,099
2010-11	350,000	533,299	883,299
2011-12	355,000	506,874	861,874
2012-13	380,000	486,374	866,374
2013-14	390,000	470,011	860,011
2015-2019	2,180,000	2,086,831	4,266,831
2020-2024	2,425,000	1,620,885	4,045,885
2025-2029	2,980,000	1,037,766	4,017,766
2030-2033	2,940,000	287,605	3,227,605
Total	<u>\$ 12,920,000</u>	<u>\$ 7,613,744</u>	<u>\$ 20,533,744</u>

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

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**NOTE 4 – MEASURE J GENERAL OBLIGATION BONDS (continued)**

2009 General Obligation Bond

On May 12, 2009, the District issued the Series B of the Election of 2006 Measure J General Obligation Bonds in the amount of \$35,000,000 with issuance costs in the amount of \$718,382 and interest rates that range from 2.5% - 5.0%.

At June 30, 2009, the principal balance outstanding on these bonds was \$35,000,000. The annual requirements to amortize the District’s Measure J, Series B, general obligation bonds outstanding as of June 30, 2009, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ -	\$ 1,229,955	\$ 1,229,955
2010-11	140,000	1,812,588	1,952,588
2011-12	455,000	1,803,663	2,258,663
2012-13	470,000	1,790,963	2,260,963
2013-14	485,000	1,778,419	2,263,419
2015-2019	2,740,000	8,592,925	11,332,925
2020-2024	3,675,000	7,842,163	11,517,163
2025-2029	4,625,000	6,870,391	11,495,391
2030-2034	6,780,000	5,438,331	12,218,331
2035-2039	12,660,000	2,691,553	15,351,553
2040	2,970,000	83,531	3,053,531
Total	<u>\$ 35,000,000</u>	<u>\$ 39,934,482</u>	<u>\$ 74,934,482</u>

**NOTE 5 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2009, Measure J Bond Building Fund expenditures exceeded appropriations as follows:

Books and supplies	\$	408
Services and other Operating Expenditures	\$	738,674
Capital outlay	\$	22,477,053

**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 6 – CONSTRUCTION COMMITMENTS**

As of June 30, 2009, the District had commitments with respect to unfinished capital projects of approximately \$45,258,347 to be paid from Measure J bond funds.

**NOTE 7 – INTERFUND ACTIVITIES**

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. There were transfers out from the Measure J Building Fund to the Debt Service Fund for \$42,774. The transfer to the Debt Service Fund was for the original issued premium on the 2006 Series B Bond dedicated to debt service payments.



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*Supplementary Information Section*

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**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT**  
**Budgetary Comparison Schedule – Measure J Bond Building Fund**  
**For the Fiscal Year Ended June 30, 2009**

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	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Pos (Neg)
<b>Revenues</b>				
Other local	\$ -	\$ -	\$ 135,447	\$ 135,447
Total Revenues	-	-	135,447	135,447
<b>Expenditures</b>				
Classified salaries	118,230	118,230	77,959	40,271
Employee benefits	29,436	29,436	21,035	8,401
Books and supplies	-	-	408	(408)
Services and other operating expenditures	-	482,690	1,221,364	(738,674)
Capital outlay	3,000,000	3,303,710	25,780,763	(22,477,053)
Total Expenditures	3,147,666	3,934,066	27,101,529	(23,167,463)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,147,666)	(3,934,066)	(26,966,082)	(23,032,016)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of bonds	-	35,000,000	35,000,000	-
Premium on sales of bonds	-	-	761,156	761,156
Transfer out to debt service fund	-	-	(42,774)	(42,774)
Total Other Financing Sources (Uses)	-	35,000,000	35,718,382	718,382
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,147,666)	31,065,934	8,752,300	(22,313,634)
Fund Balances, July 1, 2008	11,383,510	11,383,510	11,383,510	-
Fund Balances, June 30, 2009	\$ 8,235,844	\$ 42,449,444	\$ 20,135,810	\$ (22,313,634)

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*Other Independent Auditors' Reports*

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Pittsburg Unified, California

## 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

We have audited the financial statements of Measure J Bond Building Fund of Pittsburg Unified School District (the "District") as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with generally accepted auditing standards 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 the Measure J Bond Building Fund of Pittsburg Unified School District's internal control over financial reporting as a basis of 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 Measure J Bond Building Fund of Pittsburg Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Measure J Bond Building Fund of Pittsburg Unified School District's internal control over financial reporting.

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 entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements 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 misstatement of the financial statements will not be prevented or detected by the entity'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 the Measure J Bond Building Fund of Pittsburg Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2009-1.

Pittsburg Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit Pittsburg Unified School District's responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the Measure J Citizens' Bond Oversight Committee, the District's Governing Board, management, and the taxpayers of Pittsburg Unified School District and is not intended to be and should not be used by anyone other than the specified parties.



San Diego, California  
January 15, 2010



A Professional  
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**Jeff Nigro, CPA**

**Elizabeth Nigro, CPA**

**Christy White, CPA**

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Measure J Citizens' Bond Oversight Committee and  
Governing Board Members of  
Pittsburg Unified School District  
Pittsburg, California

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

We have audited the financial statements of the Measure J Bond Building Fund of the Pittsburg Unified School District (the "District") as of and for the fiscal year ended June 30, 2009 and have issued our report thereon dated January 15, 2010. Our audit was made in accordance with generally accepted auditing standards in the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Measure J General Obligation Bond for the fiscal year ended June 30, 2009. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Measure J Bonds were only used for the purposes set forth in the ballot Measure and not for any other purpose, such as teacher and administrative salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

<b>Internal Control Evaluation</b>
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Procedures Performed:

Inquiries were made of construction management and management of the District office regarding internal controls to:

- Prevent fraud or waste regarding Measure J projects, including budgetary controls
- Ensure adequate separation of duties exists in the business services department for Measure J funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)

Construction Management:

Through our inquiry, it was determined that RGM & Associates (Construction Management) has been handling facility projects at the District for approximately 7 years. RGM employs their own accountant who tracks all contracts, purchase orders, and payments. The invoices are approved by the lead construction manager of each project that the invoice was associated with, after which the invoice and approval process is forwarded to others as appropriate, such as, California Design (Architect) or the inspector of the projects. Once invoices are approved by the outside parties involved, it is further processed and sent to the District's business services department. Additionally, RGM assists the District with the bidding of project for services. RGM prepares a detailed request for proposal for service and the District reviews the list and revises the list as necessary before it is published and sent to competing vendors.

Business Services:

When business services receives the invoice, it is reviewed and approved by the Director of Finance and then forwarded to accounts payable for the invoice to be math and price verified and compared to the purchase ordered for reasonableness. The accounts payable clerks will then enter the invoice for payment into the RUMBA system (general ledger system). A report is generated and sent to the County Office of Education for the invoices to be paid. The County Office of Education prepares all warrants once approved and returns the warrants to the District. It is the District's responsibility to review the warrants that are issued by the County Office of Education to ensure reasonableness and to send the payment to the appropriate vendor. The District's accounting supervisor and the District's accounts payable clerks meet with RGM's accountant to reconcile the facilities payment/billing activity to the general ledger every week.

### **Internal Control Evaluation (continued)**

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the 2008-09 financial statement balances for the Measure J Bond Fund are not materially misstated. Furthermore, we performed a walk-through with staff involved to ensure procedures were being performed.

#### Results of Procedures Performed:

The results of audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unqualified opinion was expressed on the financial statements.

### **Facilities Site Walk**

#### Procedures Performed:

We performed a site walk to verify that Measure J funds expended for the fiscal year ended June 30, 2009 were for valid facilities acquisition and construction purposes. NNW toured Pittsburg High School site where 2008-09 construction work occurred.

#### Results of Procedures Performed:

The east campus of Pittsburg High School construction activity showed partial completion of the demolition stage and soil removal, which was necessary. In addition, the backstop area of the north campus was completed with portable modular buildings for the interim housing. The portable buildings included plumbing for restrooms, wall paneling, and electrical. Also, a video surveillance system was installed to monitor the campus at all times and to prevent theft in areas that are not monitored by employees. Temporary fences were installed at the construction sites at the high school. Parking strips were freshly painted in the parking lots.

During the facilities site walk, we also observed trenches being dug for gas and water main lines to pass through the main buildings. Then, sections of the east campus were being prepped for the abatement treatment. Phase 1 of classroom wings have been started, which included exterior framing, electric conduit, and HVAC system.



## **Tests of Expenditures**

### Procedures Performed:

The following performance tests of expenditures were performed:

1. We tested approximately \$9.8 million (37%) of the 2008-09 expenditures (38 separate payments) for validity, allowability and accuracy. Expenditures sampled in our test included payments made to the construction management company, architects and other vendors.
2. We tested payments made to the RGM & Associates, the Measure J construction management, California Design West, the architects, and S.J. Amoroso, the general contractor. We obtained the contracts for the companies listed above and ensured that position rates per contract were accurately billed to the District.

### Results of Procedures Performed:

We found the expenditures tested to be in compliance with the terms of the Measure J ballot measure and applicable State laws and regulations without exception.

## **Test of Contracts and Bid Procedures**

### Procedures Performed:

For the fiscal year ended June 30, 2009, NNW performed testing of 1 contract to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: Pittsburg High School  
Contractor: S.J. Amoroso  
Original Contract Award Amount: \$73,434,000

### Results of Procedures Performed:

We found that the contract tested followed proper bidding procedures and was awarded to the lowest responsible bidder.

## Establishment of the Citizens' Oversight Committee

### Procedures Performed:

In accordance with AB 1908 (Assembly Bill) and Ed Code section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bonafide tax payer association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. The governing board of the school district shall establish and appoint members to an independent citizens' oversight committee, pursuant to Section 15282, within 60 days of the date that the governing board. We determined if the legal requirements for establishing the Citizens' Oversight Committee were met.

### Results of Procedures Performed:

We found that the District's governing Board did not appoint members to the Citizens' Oversight Committee related to the Proposition 39 Bond that was passed on November 7, 2006 in a timely manner, within 60 days.

Our audit of compliance made for the purpose set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, except for the instance of noncompliance as noted in the accompanying schedule of findings and recommendations as item #2009-1, the District complied with the compliance requirements for Measure J General Obligation Bond as listed and tested above.

This report is intended solely for the information and use of the Measure J Citizens' Bond Oversight Committee, the District's Governing Board, management, and the taxpayers of Pittsburg Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

*Nigro Nigro & White, PC*

San Diego, California  
January 15, 2010

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*Findings and Recommendations Section*

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**MEASURE J BOND BUILDING FUND OF  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended June 30, 2009**

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There were findings related to the financial and performance audit of the Measure J Bond Building Fund for the fiscal year ended June 30, 2009, set forth as follows:

**Finding #2009-1: Establishment of Citizens' Oversight Committee**

**Condition:** We found that the District's governing Board did not appoint members to the Citizens' Oversight Committee (COC) related to the Proposition 39 Bond that was passed on November 7, 2006 in a timely manner. In accordance with AB 1908 (Assembly Bill) and Ed Code section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bonafide tax payer association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. The governing board of the school district shall establish and appoint members to an independent citizens' oversight committee, pursuant to Section 15282, within 60 days of the date that the governing board.

**Recommendation:** We recommend the COC be established (for future bond issuances) in accordance with legal timelines.

**District Response:** The District's governing board appointed members in August 2009 to the Citizens' Oversight Committee (COC) related to the Measure J. The citizens' committee is charged with ensuring that bond revenues from Measure J are only spent for the specific projects, and that no funds are used for any teacher or administrator salaries, or for other school operating expenses.