

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

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2011**



**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
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June 30, 2011**

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**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Introduction and Citizens' Bond Oversight Committee Member Listing  
June 30, 2011**

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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, 2010, 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, 2011:

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



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of the Measure J Bond Building Fund of Pittsburg Unified School District and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year ended June 30, 2011. These financial statements are the responsibility of Pittsburg Unified School 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 Sub-Fund consisting of the net construction proceeds of Measure J General Obligation Bonds as issued by the District, through the County of Contra Costa, and are not intended to present fairly the financial position of Pittsburg Unified School 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, 2011 and for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

SAN DIEGO

RANCHO CUCAMONGA

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012 on our consideration 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.

*Chint White Accountancy Corporation*

San Diego, California

March 13, 2012

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## **FINANCIAL SECTION**

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**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Balance Sheet  
June 30, 2011**

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**ASSETS**

Investments	\$	6,626
Total assets	\$	<u>6,626</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Cash overdraft	\$	5,621,170
Accounts payable		<u>109,147</u>
Total liabilities		<u>5,730,317</u>

**Fund Balance**

Unassigned		<u>(5,723,691)</u>
Total liabilities and fund balance	\$	<u>6,626</u>

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

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2011**

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<b>EXPENDITURES</b>	
Facility acquisition and construction	\$ 17,514,259
Total expenditures	<u>17,514,259</u>
<b>Excess (Deficiencies) of Revenues Over (Under) Expenditures</b>	<u>(17,514,259)</u>
<b>OTHER FINANCING SOURCES</b>	
Transfers in	454,151
Total other financing sources	<u>454,151</u>
Net Change in Fund Balance	(17,060,108)
<b>Fund Balance, July 1, 2010</b>	<u>11,336,417</u>
<b>Fund Balance, June 30, 2011</b>	<u>\$ (5,723,691)</u>

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



**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Pittsburg Unified School District, (“the 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 the cafeteria and library, renovate restrooms, and upgrade electrical and plumbing systems at Pittsburg high schools. Pittsburg Unified School District is authorized to repair, replace, 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 of the District consisting of net construction proceeds of Series A and Series B general obligation bonds as issued by the District, through the County of Contra Costa, 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  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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**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  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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**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 budgets 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.

**H. Fund Balance**

Under GASB 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2011 included \$6,626 held in the Local Agency Investment Fund (LAIF) and cash overdraft in the Contra Costa County Treasury Pool amounting to \$5,621,170.

**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.

*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.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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

**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 examples of the investment types permitted in the investment policy:

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

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 \$6,639 and an amortized book value of \$6,626.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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

**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 Measure J Bond Building Fund maintains an investment with the Contra Costa County Investment Pool with fair value and an amortized book value of zero. The weighted average maturity for this pool is 151 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.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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**NOTE 3 – MEASURE J GENERAL OBLIGATION BONDS**

**Election of 2006, Series A General Obligation Bond**

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

At June 30, 2011, the principal balance outstanding on these bonds was \$11,650,000. The annual requirements to amortize the District’s Measure J, Series A, general obligation bonds outstanding as of June 30, 2011, is as follows:

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

**Election of 2006, Series B General Obligation Bond**

On May 12, 2010, the District issued Series B of the Election of 2006 Measure J General Obligation Bonds in the amount of \$35,000,000 with issuance costs of \$718,382 and interest rates that range from 2.5% - 5.0%.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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**NOTE 3 – MEASURE J GENERAL OBLIGATION BONDS (continued)**

**Election of 2006, Series B General Obligation Bond (continued)**

At June 30, 2011, the principal balance outstanding on these bonds was \$34,860,000. The annual requirements to amortize the District’s Measure J, Series B, general obligation bonds outstanding as of June 30, 2011, is as follows:

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

**NOTE 4 – CONSTRUCTION COMMITMENTS**

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

**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

The District transferred \$454,151 from the Special Reserve Fund for Capital Outlay Projects to the Measure J Bond Building Fund to cover expenditures from 2011-12 bond revenues.



**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2011**

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**NOTE 6 – NEGATIVE FUND BALANCE**

For the fiscal year 2010-11, the District’s fund balance in the Measure J Bond Building Fund fell to negative \$5,723,691, which is due to the continuation of spending of bond proceeds before new bond issuances were issued.

**NOTE 7 – EXPENDITURES BY SITE**

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2011:

<u>Site</u>	<u>Amount</u>
Pittsburg High School	\$ 16,777,188
Riverside High School	615,065
Facility management	122,006
Total	<u>\$ 17,514,259</u>

**NOTE 8 – SUBSEQUENT EVENT**

On July 14, 2011, the District issued \$59,999,952 of general obligation bonds, which consisted of current interest bonds and capital appreciation bonds. The current interest bonds have a stated interest of 5.50% and mature on September 1, 2046. The capital appreciation bonds have rates of accretion ranging from 7.120% to 10.976% and mature on September 1, 2042. The proceeds of the bonds attributable to Measure J will be used to purchase the Election of 2006, Series C for \$35,000,000.

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**OTHER INDEPENDENT AUDITORS'  
REPORTS**

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**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 Members and  
Measure J Citizens' Bond Oversight Committee  
Pittsburg Unified School District  
Pittsburg, California

We have audited the financial statements of Measure J Bond Building Fund of Pittsburg Unified School District as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated March 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Pittsburg Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the Pittsburg Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pittsburg Unified School District's internal control over financial reporting.

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

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

**SAN DIEGO**

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### 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 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 District's Governing Board, the Measure J Citizens' Bond Oversight Committee, management, others within the entity, 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.

*Christy White Accountancy Corporation*

San Diego, California

March 13, 2012



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

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, 2011 and have issued our report thereon dated March 13, 2012. 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 Proposition 39 Measure J General Obligation Bond for the fiscal year ended June 30, 2011. 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.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will improve learning and to accommodate growth in the District, with no funds expended on administrator salaries.

SAN DIEGO

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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, waste, or abuse regarding Measure J resources
- 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 8 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. The invoice is forwarded for approval 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 services which the District reviews and revises as necessary before it is published and sent to competing vendors.

**Business Services:**

The District hired a purchasing clerk to encumber monies for open purchase orders and to enter new vendors for payment. 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 accuracy. 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 Contra Costa County Office of Education for the warrants to prepared and printed. The County Office of Education prepares all warrants once approved and returns them to the District. It is the District's responsibility to review the warrants that are issued by the County Office of Education to ensure accuracy 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.

<b>Internal Control Evaluation (continued)</b>
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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 2010-11 financial statement balances for the Measure J Bond Fund were not materially misstated. Furthermore, we performed a walk-through of the contract bid and payment processing cycles with staff involved to ensure procedures were being performed.

**Results of Procedures Performed:**

Overall, the results of audit 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.

<b>Facilities Site Walk</b>
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**Procedures Performed:**

We performed a site walk to verify that Measure J funds expended for the fiscal year ended June 30, 2011 were for valid facilities acquisition and construction purposes. We toured Pittsburg High School site where 2010-11 construction work occurred.

**Results of Procedures Performed:**

We noted during our site tour at Pittsburg High School that the three elevators were functional and in full use. Also, the school was equipped with a new computer lab which included a projector; surround sound system, whiteboards, and surveillance system. The wood/auto shop rooms, chemistry labs, and biology labs were completed in the Tech Building and were being used by students. The woodshop was furnished with new saws, drill press, clamps, and tables, while the auto shop area was prepared new desks, three bays and lifts, and a tire balancer. In addition, the gymnasium was completely renovated and retrofitted with three full-size basketball courts. The cafeteria area was completed with food stations, tables, and the cooking areas had new ovens. The old theatre was in the renovation stage of construction. Moreover, the courtyard and exterior premises of the campus were beautified with planters and lush landscaping.

## Tests of Expenditures

### **Procedures Performed:**

The following performance tests of expenditures were performed:

1. We tested approximately \$11.3 million (64%) of the 2010-11 expenditures (22 separate vendor 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 RGM & Associates, the Measure J construction management company, 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 and applicable state laws and regulations without exception. Also, our analysis indicated that the District is receiving program management services that are reasonable as compared to other school districts, with regard to billing rates, hours charged, and the ratio of consultants to District employees. Lastly, we noted that salaries charged in fiscal year 2010-11 appeared to increase due to the hire of special projects accountant that was hired primarily for the bond.

## Test of Contracts and Bid Procedures

### **Procedures Performed:**

For the fiscal year ended June 30, 2011, we performed testing of four contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: Portable Relocation – Continuation  
Original Contract Award Amount: \$55,500
- Project: Riverside/Adult Education Moving Service  
Original Contract Award Amount: \$12,023
- Project: Riverside/Adult Education Electrical  
Original Contract Award Amount: \$10,478
- Project: Riverside/Adult Education Overflow Parking  
Original Contract Award Amount: \$16,504



**Test of Contracts and Bid Procedures (continued)**

**Results of Procedures Performed:**

We found that the contracts tested above followed proper bidding procedures, and were awarded in all cases to the lowest responsible bidder. In addition, we tested change orders and determined the change orders were executed in accordance with District internal controls and was in compliance with applicable provisions of the Public Contract Code. Moreover, we noted that the District has been providing the Governing Board with a listing of change orders to contracts that relate to Measure J Bond projects in fiscal year 2010-11.

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, the District complied, in all material respects, with the compliance requirements for Measure J General Obligation Bond, for the fiscal year ended June 30, 2011, as listed and tested above.

This report is intended solely for the information and use of the District's Governing Board, the Measure J Citizens' Bond Oversight Committee, management, others within the entity, 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.

*Christie White Accountancy Corporation*

San Diego, California

March 13, 2012

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## **FINDINGS AND RESPONSES SECTION**

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**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2011**

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This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

We found Pittsburg Unified School District's accounting system to be functioning efficiently and effectively to account for the Measure J Bond. In addition, our tests resulted in no findings and recommendations related to the financial and performance audit of the Measure J Bond for the fiscal year ended June 30, 2011.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2011**

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**Finding #2010-1: Accounts Payable vs. Purchasing Function**

**Finding:** We noted the District does not have a separate department devoted to purchasing functions. Currently, the Accounts Payable Department sets up new vendors and makes payments, creating a lack of segregation of duties. The lack of segregation of duties could cause fictitious vendors to be setup and fraudulent payments to be made.

**Recommendation:** We recommend that the District segregate the vendor set-up function to an individual who is separate from the Accounts Payable Department. Vendor set-up ability should be a function of the Purchasing department.

**Current Status:** Implemented

**Finding #2010-2: Expenditure Testing**

**Finding:** Pre-approval of expenditures is an important function that helps the District ensure that they are within their spending limits. During the expenditure testing, we noted 2 of 23 expenditures tested, nearly 9%, had purchase orders dated after the invoice date.

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

**Current Status:** Implemented