

MEASURE L BOND BUILDING FUND OF
PITTSBURG UNIFIED SCHOOL DISTRICT

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
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For the Year Ended June 30, 2016**

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**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Introduction and Bond Oversight Committee Member Listing
June 30, 2016**

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, three junior high schools, one high school, one continuation school, and an adult education center.

On November 2, 2010, the voters of Contra Costa County approved by more than 55% Measure L, authorizing the issuance and sale of \$100,000,000 of general obligation bonds. On July 14, 2011, the District issued Series A of the Election of 2010 General Obligation Bonds in the amount of \$24,999,952.

On July 24, 2012 the District issued Series B of the Election of 2010 General Obligation Bonds in the amount of \$25,000,000 as Direct Payment Qualified School Construction Bonds. In addition, the District issued \$18,003,211 in Series C of the Election of 2010 General Obligation Refunding Bonds. The Bonds consist of \$8,340,000 in current interest bonds and \$9,663,211 in capital appreciation bonds. The District issued Series D of the Election of 2010 General Obligation bonds in the amount of \$12,500,000 on April 8, 2014.

Measure L 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 L 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, 2016:

| Name | Representation |
|----------------|--|
| Fran Confetti | Senior Citizen Organization |
| Marvin Pounds | Committee at Large Member |
| Tony Martinez | District Parent |
| <i>Vacant*</i> | <i>Member of Business Organization</i> |
| <i>Vacant*</i> | <i>Member in Bona Fide Taxpayers Association</i> |
| <i>Vacant*</i> | <i>Parent and PTA/PTO Member</i> |
| <i>Vacant*</i> | <i>District Parent</i> |

*The District is actively seeking community participation to fill the vacant positions.

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure L Bond Oversight Committee
Pittsburg Unified School District
Pittsburg, California

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure L Bond Building Fund of Pittsburg Unified School District (the "Measure L Bond Building Fund") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Measure L Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure L 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 the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure L Bond Building Fund of Pittsburg Unified School District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 on our consideration of the Measure L Bond Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure L Bond Building Fund's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated March 24, 2017 on our consideration of the Measure L Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2016 and should be considered in assessing the results of our financial audit.



San Diego, California
March 24, 2017

FINANCIAL SECTION

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Balance Sheet
June 30, 2016**

| | |
|---|----------------------|
| ASSETS | |
| Investments | \$ 12,441,758 |
| | <u>12,441,758</u> |
| Total Assets | \$ 12,441,758 |
| | <u>12,441,758</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Deficit cash | \$ 2,181,642 |
| Accounts payable | 78,531 |
| | <u>2,260,173</u> |
| Total Liabilities | 2,260,173 |
| | <u>2,260,173</u> |
| Fund Balance | |
| Restricted for capital projects | 10,181,585 |
| | <u>10,181,585</u> |
| Total Liabilities and Fund Balance | \$ 12,441,758 |
| | <u>12,441,758</u> |

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

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016**

| | |
|--|----------------------|
| REVENUES | |
| Interest income | \$ 61,188 |
| Total Revenues | <u>61,188</u> |
| EXPENDITURES | |
| Facilities acquisition and construction | <u>3,326,989</u> |
| Total Expenditures | <u>3,326,989</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(3,265,801)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers Out | <u>(30,679)</u> |
| Total Other Financing Sources (Uses) | <u>(30,679)</u> |
| Net Change in Fund Balance | (3,296,480) |
| Fund Balance, July 1, 2015, as restated | <u>13,478,065</u> |
| Fund Balance, June 30, 2016 | <u>\$ 10,181,585</u> |

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

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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, three junior high schools, one high school, one continuation school, and an adult education center.

On November 2, 2010, the voters of Contra Costa County approved by more than 55% Measure L, authorizing the issuance and sale of \$100,000,000 of general obligation bonds to provide safe, modern neighborhood schools with updated computer technology, upgrade energy systems as well as upgrading and constructing classrooms, science and computer labs and school facilities. 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 L 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 L.

The statements presented are for the individual Measure L Bond Building Fund of the District consisting of net construction proceeds of Series A, B, C, and D 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 California 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 L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

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 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. 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.

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Contra Costa 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.

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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 Statement No. 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. The fund balance in Measure L is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as deficit cash in county treasury for \$2,181,642 and investments of \$12,441,758.

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 proceeds 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.

Investments – The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has an amortized cost that approximates fair value.

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

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:

| <u>Authorized Investment Type</u> | <u>Maximum Remaining Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|---|--|---|
| 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:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Contra Costa County Investment Pool, which maintained a deficit balance of \$2,181,642 as of June 30, 2016.

Investments- The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has an amortized book value of \$12,441,758, which approximates fair value.

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were rated AAAf/S1+ by Standard and Poor's, and the pooled investments in LAIF were not rated.

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.

Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Contra Costa County Treasury Investment Pool and Local Agency Investment Fund are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2016 were uncategorized for the local agency investment fund and total \$12,441,758.

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

NOTE 3 – CONSTRUCTION COMMITMENTS

As of June 30, 2016, the Measure L Bond Building Fund had commitments with respect to unfinished Measure L capital projects.

NOTE 4 – INTERFUND TRANSACTIONS

The interfund transfer for the year ended June 30, 2016 consisted of a \$30,679 contribution to Measure J.

NOTE 5 – ELECTION 2010 GENERAL OBLIGATION BONDS

On November 2, 2010, the voters of Contra Costa County authorized the issuance and sale of \$100,000,000 of general obligation bonds to provide safe, modern neighborhood schools with updated computer technology, upgrade energy systems as well as upgrading and constructing classrooms, science and computer labs and school facilities. Pittsburg Unified School District is authorized to repair, replace, construct and renovate school facilities and equipment.

The outstanding general obligation bonded debt related to Measure L at June 30, 2016 consists of:

| Bond Issue | Issue Date | Interest Rate | Maturity Date | Amount of Original Issue | Bonds | | | Bonds |
|---------------|----------------|----------------|-------------------|--------------------------|--------------------------|-------------|---------------------|---------------------------|
| | | | | | Outstanding July 1, 2015 | Additions | Deletions | Outstanding June 30, 2016 |
| 2010 Series A | July 1, 2011 | 7.10% - 10.90% | September 1, 2046 | \$ 24,999,952 | \$ 17,070,000 | \$ - | \$ 1,695,000 | \$ 15,375,000 |
| 2010 Series B | July 24, 2012 | 4.15% - 4.92% | August 1, 2034 | 25,000,000 | 25,000,000 | - | - | 25,000,000 |
| 2010 Series C | August 7, 2012 | 4.25% | August 1, 2052 | 18,003,211 | 18,003,211 | - | - | 18,003,211 |
| 2010 Series D | April 8, 2014 | 2.00% - 5.00% | August 2, 2043 | 12,500,000 | 12,500,000 | - | 135,000 | 12,365,000 |
| | | | | <u>\$ 80,503,163</u> | <u>\$ 72,573,211</u> | <u>\$ -</u> | <u>\$ 1,830,000</u> | <u>\$ 70,743,211</u> |

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

NOTE 5 – ELECTION 2010 GENERAL OBLIGATION BONDS (continued)

Election of 2010, Series A General Obligation Bonds

On July 14, 2011, the District issued Series A of the Election of 2010 Measure L General Obligation Bonds in the amount of \$24,999,952 with issuance costs of \$125,000. The capital appreciation bonds have rates of accretion ranging from 7.10% to 10.90%.

At June 30, 2016, the principal balance outstanding on these bonds was \$15,375,000. The annual requirements to amortize the District’s Measure L, Series A general obligation bonds outstanding as of June 30, 2016, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 1,490,000 | \$ 682,500 | \$ 2,172,500 |
| 2018 | 1,290,000 | 772,500 | 2,062,500 |
| 2019 | 1,105,000 | 845,000 | 1,950,000 |
| 2020 | 970,000 | 920,000 | 1,890,000 |
| 2021 | 900,000 | 1,045,000 | 1,945,000 |
| 2022 - 2026 | 3,630,000 | 6,980,000 | 10,610,000 |
| 2027 - 2031 | 2,480,000 | 9,780,000 | 12,260,000 |
| 2032 - 2036 | 1,710,000 | 12,970,000 | 14,680,000 |
| 2037 - 2041 | 1,090,000 | 14,840,000 | 15,930,000 |
| 2042 - 2046 | 620,000 | 14,395,175 | 15,015,175 |
| 2047 | 90,000 | 2,787,150 | 2,877,150 |
| | <u>\$ 15,375,000</u> | <u>\$ 66,017,325</u> | <u>\$ 81,392,325</u> |

Election of 2010, Series B General Obligation Bonds

In fiscal year 2012-13, the District issued \$25,000,000 in Direct Payment Qualified School Construction Bonds. The Bonds require principal and interest payments through August 1, 2034. Annual interest rates for these Bonds range from 4.15% to 4.92%. The annual requirements to amortize the District’s Measure L, Series B general obligation bonds outstanding as of June 30, 2016, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ - | \$ 1,155,888 | \$ 1,155,888 |
| 2018 | - | 1,155,888 | 1,155,888 |
| 2019 | - | 1,155,888 | 1,155,888 |
| 2020 | - | 1,155,888 | 1,155,888 |
| 2021 | - | 1,155,888 | 1,155,888 |
| 2022 - 2026 | 9,625,000 | 5,579,719 | 15,204,719 |
| 2027 - 2031 | - | 3,782,250 | 3,782,250 |
| 2032 - 2035 | 15,375,000 | 2,647,575 | 18,022,575 |
| | <u>\$ 25,000,000</u> | <u>\$ 17,788,984</u> | <u>\$ 42,788,984</u> |

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

NOTE 5 – ELECTION 2010 GENERAL OBLIGATION BONDS (continued)

Election of 2010, Series C General Obligation Refunding Bonds

In fiscal year 2012-13, the District issued \$18,003,211 in General Obligation Refunding Bonds. The Bonds consist of \$8,340,000 in current interest bonds and \$9,663,211 in capital appreciation bonds. The Bonds mature on August 1, 2052. Annual interest rate for these Bonds is 4.25%. The annual requirements to amortize the District’s Measure L, Series C general obligation refunding bonds outstanding as of June 30, 2016, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ - | \$ 354,450 | \$ 354,450 |
| 2018 | - | 354,450 | 354,450 |
| 2019 | - | 354,450 | 354,450 |
| 2020 | - | 354,450 | 354,450 |
| 2021 | - | 354,450 | 354,450 |
| 2022 - 2026 | - | 1,772,250 | 1,772,250 |
| 2027 - 2031 | - | 1,772,250 | 1,772,250 |
| 2032 - 2036 | 163,171 | 3,914,079 | 4,077,250 |
| 2037 - 2041 | 2,200,540 | 13,181,710 | 15,382,250 |
| 2042 - 2046 | 2,448,515 | 13,996,089 | 16,444,604 |
| 2047 - 2051 | 4,006,696 | 31,471,696 | 35,478,392 |
| 2052 - 2053 | 9,184,289 | 8,207,034 | 17,391,323 |
| | <u>\$ 18,003,211</u> | <u>\$ 76,087,358</u> | <u>\$ 94,090,569</u> |

Election of 2010, Series D General Obligation Refunding Bonds

In fiscal year 2013-14, the District issued \$12,500,000 in current interest General Obligation Bonds. The Bonds mature on August 1, 2043. Annual interest rates for these Bonds range from 2.00% to 5.00%. The annual requirements to amortize the District’s Measure L, Series D general obligation refunding bonds outstanding as of June 30, 2016, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 25,000 | \$ 553,750 | \$ 578,750 |
| 2018 | 25,000 | 553,250 | 578,250 |
| 2019 | 25,000 | 552,750 | 577,750 |
| 2020 | 50,000 | 552,000 | 602,000 |
| 2021 | 50,000 | 550,750 | 600,750 |
| 2022 - 2026 | 550,000 | 2,704,625 | 3,254,625 |
| 2027 - 2031 | 1,115,000 | 2,512,438 | 3,627,438 |
| 2032 - 2036 | 1,880,000 | 2,212,650 | 4,092,650 |
| 2037 - 2041 | 3,245,000 | 1,705,038 | 4,950,038 |
| 2042 - 2044 | 5,400,000 | 431,250 | 5,831,250 |
| | <u>\$ 12,365,000</u> | <u>\$ 12,328,501</u> | <u>\$ 24,693,501</u> |

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2016**

NOTE 6 – EXPENDITURES BY SITE

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2016:

| <u>Site Name</u> | <u>Amount</u> |
|---|---------------------|
| Heights Elementary School | \$ 1,788,991 |
| Pittsburg High School | 6,465 |
| Martin Luther King Jr. Junior High School | 106,403 |
| Parkside Elementary School | 170,728 |
| Stoneman Elementary School | 7,775 |
| Bond Mangement | 195 |
| Facilities management | 1,246,432 |
| Total | <u>\$ 3,326,989</u> |

NOTE 7 – RESTATEMENT OF BEGINNING FUND BALANCE

The beginning fund balance for Measure L has been restated in order to correct in improper adjustment in prior years. The effect on beginning fund balance is presented as follows:

| | <u>Measure L</u> |
|--|---------------------------|
| | <u>Bond Building Fund</u> |
| Fund Balance - Beginning, as Previously Reported | \$ 12,941,791 |
| Restatement | 536,274 |
| Fund Balance - Beginning, as Restated | <u>\$ 13,478,065</u> |

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board Members and
Measure L Bond Oversight Committee
Pittsburg Unified School District
Pittsburg, California

We have audited, in accordance with the 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, the financial statements of the Measure L Bond Building Fund, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Measure L Bond Building Fund's basic financial statements, and have issued our report thereon dated March 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure L Bond Building Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Measure L Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure L Bond Building Fund's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure L Bond Building Fund'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
March 24, 2017

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and
Measure L Bond Oversight Committee
Pittsburg Unified School District
Pittsburg, California

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure L Bond Building Fund, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Measure L Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Objectives

In connection with our audit, we also performed an audit of compliance as required in the performance requirements for the Measure L General Obligation Bonds for the fiscal year ended June 30, 2016. 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 L Bonds were only used for the purposes set forth in the Measure L ballot language 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:

| |
|------------------------------------|
| Internal Control Evaluation |
|------------------------------------|

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure L projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure L funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

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 financial statement balances at June 30, 2016 for the Measure L Bond Building Fund are not materially misstated.

Results of Procedures Performed:

The result of our 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. An unmodified opinion was expressed on the financial statements.

| |
|-----------------------------|
| Facilities Site Walk |
|-----------------------------|

Procedures Performed:

We performed site walks to verify that Measure L funds expended for the fiscal year ended June 30, 2016 were for valid facilities acquisition and construction purposes. CWA toured the sidewalk and paving projects at Heights Elementary School, where Measure L work had taken place during the year ended June 30, 2016.

Results of Procedures Performed:

Results of the site walks indicate that the major 2015-16 Measure L construction projects utilized bond proceeds appropriately and within the guidelines set forth by Measure L ballot language.

Test of Expenditures

Procedures Performed:

The following performance tests of expenditures and transfers were performed:

We tested approximately \$2,182,648 (66%) of the Measure L expenditures for the year ended June 30, 2016, for validity, allowability and accuracy. Expenditures sampled in our test included payments made to contractors, payroll expenditures, consultants and other vendors.

Results of Procedures Performed:

We found the expenditures tested to be in compliance with the terms of the Measure L ballot measure, Facilities Master Plan, and applicable state laws and regulations without exception.

Test of Contracts and Bid Procedures

Procedures Performed:

For the fiscal year ended June 30, 2016, we performed testing of three contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: Pittsburg HS Stadium Visitor Restrooms
Original Contract Award Amount: \$77,000

Results of Procedures Performed:

We found that the contracts tested above for bidding procedures followed proper bidding procedures and were awarded in all cases to the lowest responsible bidder.

In addition, we tested one change order and determined the change orders were executed in accordance with District internal controls and were in compliance with applicable provisions of the Public Contract Code. Contracts tested with change orders included the following projects:

- Heights New Construction

Moreover, we noted that the District has been providing the Governing Board with a listing of change orders to contracts that relate to Measure L projects in fiscal year 2015-16 and that no Measure L projects have a cumulative change order rate in excess of 10% of contract value.

| |
|--|
| Independent Citizens' Oversight Committee |
|--|

Procedures Performed:

In accordance with AB 1908 (Assembly Bill) and Education Code Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers 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 ICOC is to meet pursuant to Education Code Section 15280.

Results of Procedures Performed:

In our review of the composition of the committee, we found the District had four vacant positions on the committee. The District is actively seeking community participation to fill the vacant positions and we therefore have found the District to be in compliance with the aforementioned sections of Education Code.

Our audit of compliance was made for the purposes set forth in the objectives section of this report and would not necessarily disclose all instances of noncompliance.

Opinion

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Measure L General Obligation Bonds as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
March 24, 2017

FINDINGS AND RESPONSES SECTION

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Schedule of Findings and Responses
For the Year Ended June 30, 2016**

There were no findings for the fiscal year ended June 30, 2016.

**MEASURE L BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

There were no findings for the prior fiscal year ended June 30, 2015.