

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

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2013**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
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For the Year Ended June 30, 2013**

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**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Introduction and Bond Oversight Committee Member Listing  
June 30, 2013**

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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, three junior high schools, one high school, one continuation school, and an adult education 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. On July 14, 2011, the District issued Series C 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, 2013:

<u>Name</u>	<u>Representation</u>
Andre Mims	District Parent
Eddie Hart Jr.	Committee at Large Member
Fran Confetti	Senior Citizen Organization
Marvin Pounds	Committee at Large Member
Richard Tomlinson	School Site Council Parent
Ron Quesada	Chamber of Commerce
De'Shawn Woolridge	Committee at Large Member

## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

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*Licensed by the California  
State Board of Accountancy*

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure J Bond Building Fund of Pittsburg Unified School District (the "Measure J Bond Building Fund") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Measure J 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.

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 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 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 J Bond Building Fund of Pittsburg Unified School District as of June 30, 2013, 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 January 29, 2014 on our consideration of the Measure J 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 J 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 January 29, 2014 on our consideration of the Measure J 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, 2013 and should be considered in assessing the results of our financial audit.

*Christy White Associates*

San Diego, California  
January 29, 2014

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## **FINANCIAL SECTION**

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**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Balance Sheet  
June 30, 2013**

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**LIABILITIES AND FUND BALANCE**

**Liabilities**

Deficit cash and investments	\$	2,522,773
Accounts payable		<u>144,747</u>

<b>Total Liabilities</b>		<u>2,667,520</u>
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**Fund Balance**

Restricted for capital projects		<u>(2,667,520)</u>
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<b>Total Liabilities and Fund Balance</b>	\$	<u>-</u>
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The accompanying 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 Year Ended June 30, 2013**

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<b>REVENUES</b>	
Interest income	\$ (19,948)
<b>Total Revenues</b>	<u>(19,948)</u>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	<u>1,512,014</u>
<b>Total Expenditures</b>	<u>1,512,014</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,531,962)</u>
<b>Fund Balance, July 1, 2012</b>	<u>(1,135,558)</u>
<b>Fund Balance, June 30, 2013</b>	<u>\$ (2,667,520)</u>

The accompanying 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, 2013**

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**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 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, B and C 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 J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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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 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.

**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, 2013**

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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. 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 J 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.

**I. Interfund Borrowing**

The District's policy is to comply with Education Code Section 42603, which permits temporary borrowing between funds so long as the temporary loan is repaid in the same fiscal year; or in the following fiscal year if the transfer took place within the final 120 calendar days of a fiscal year. The borrowing shall occur only when the fund or account receiving the money will earn sufficient income during the fiscal year to repay the amount transferred. In addition, no more than 75 percent of the maximum moneys held in any fund or account during a current fiscal year may be transferred.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as deficit cash in county treasury for \$2,573,663 and investments of \$50,890.

**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 J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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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:

<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 \$2,753,663 as of June 30, 2013.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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**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, 2013, the pooled investments in the County Treasury were rated AA Af/S1+ by Standard and 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 – CONSTRUCTION COMMITMENTS**

As of June 30, 2013, the Measure J Bond Building Fund had commitments in the amount of \$4,178,073 with respect to unfinished capital projects.

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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

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.

The outstanding general obligation bonded debt related to Measure J at June 30, 2013 consists of:

<b>Bond Issue</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Outstanding July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Outstanding June 30, 2013</b>
2006 Series A	September 26, 2007	4.00% - 8.00%	August 1, 2032	\$ 15,000,000	\$ 11,295,000	\$ -	\$ 380,000	\$ 10,915,000
2006 Series B	March 12, 2009	2.50% - 5.00%	August 1, 2039	35,000,000	34,405,000	-	470,000	33,935,000
2006 Series C	July 1, 2011	5.50%	September 1, 2046	35,000,000	34,905,000	-	225,000	34,680,000
				<b>\$ 85,000,000</b>	<b>\$ 80,605,000</b>	<b>\$ -</b>	<b>\$ 1,075,000</b>	<b>\$ 79,530,000</b>

**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 4.00% - 8.00%.

At June 30, 2013, the principal balance outstanding on these bonds was \$10,915,000. The annual requirements to amortize the District's Measure J, Series A general obligation bonds outstanding as of June 30 2013, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 390,000	\$ 470,011	\$ 860,011
2015	415,000	452,905	867,905
2016	425,000	435,055	860,055
2017	430,000	417,424	847,424
2018	450,000	399,824	849,824
2019 - 2023	2,360,000	1,720,070	4,080,070
2024 - 2028	2,855,000	1,167,134	4,022,134
2029 - 2033	3,590,000	440,675	4,030,675
<b>Total</b>	<b>\$ 10,915,000</b>	<b>\$ 5,503,098</b>	<b>\$ 16,418,098</b>

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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

**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 2.50% - 5.00%.

At June 30, 2013, the principal balance outstanding on the Series B bonds was \$33,935,000. The annual requirements to amortize the District's Measure J, Series B general obligation bonds outstanding as of June 30, 2013, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 485,000	\$ 1,778,419	\$ 2,263,419
2015	490,000	1,761,950	2,251,950
2016	520,000	1,741,750	2,261,750
2017	555,000	1,720,250	2,275,250
2018	570,000	1,697,750	2,267,750
2019 - 2023	3,470,000	8,017,750	11,487,750
2024 - 2028	4,420,000	7,088,859	11,508,859
2029 - 2033	5,650,000	5,780,156	11,430,156
2034 - 2038	11,990,000	3,380,663	15,370,663
2039 - 2040	5,785,000	329,766	6,114,766
<b>Total</b>	<b>\$ 33,935,000</b>	<b>\$ 33,297,313</b>	<b>\$ 67,232,313</b>



**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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

On July 14, 2011, the District issued Series C of the Election of 2006 Measure J General Obligation Bonds in the amount of \$35,000,000 with issuance costs of \$175,000. The current interest bonds have a stated rate of 5.50% and mature on September 1, 2046.

At June 30, 2013, the principal balance outstanding on the Series C bonds was \$34,680,000. The annual requirements to amortize the District’s Measure J, Series C general obligation bonds outstanding as of June 30, 2013, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 130,000	\$ 7,500	\$ 137,500
2015	310,000	15,000	325,000
2016	400,000	20,000	420,000
2017	480,000	40,000	520,000
2018	550,000	85,000	635,000
2019 - 2023	3,910,000	1,450,000	5,360,000
2024 - 2028	4,590,000	3,775,000	8,365,000
2029 - 2033	5,000,000	7,100,000	12,100,000
2034 - 2038	5,275,000	12,320,000	17,595,000
2039 - 2043	7,445,000	25,750,000	33,195,000
2044 - 2047	6,590,000	30,315,000	36,905,000
Total	\$ 34,680,000	\$ 80,877,500	\$ 115,557,500

**NOTE 5 – EXPENDITURES BY SITE**

The following table presents the expenditure amounts by project for the year ended June 30, 2013:

<b>Site Name</b>	<b>Amount</b>
Pittsburg High School	\$ 3,068,189
Independent Learning Center	10,591
Business services	99
Black Diamond High School*	(3,261,028)
Facilities management	1,694,163
Total	\$ 1,512,014

*\*Note: The District received state matching funds during 2012-13. Expenditures relating to Black Diamond High School were subsequently transferred from the Measure J bond building fund to the County School Facilities Fund.*

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

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**NOTE 6 – PENDING LITIGATION**

As of June 30, 2013, the District was involved in litigation to recover Measure J bond expenditures relating to the construction of Pittsburg High School. As of the audit report date, the outcome is unknown.

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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**

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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*Licensed by the California  
State Board of Accountancy*

Governing Board Members and  
Measure J 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 J Bond Building Fund, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Measure J Bond Building Fund's basic financial statements, and have issued our report thereon dated January 29, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Measure J 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 J Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure J 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Measure J 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  
January 29, 2014

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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Tanya M. Rogers, CPA, CFE

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Heather Daud

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*Licensed by the California  
State Board of Accountancy*

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Measure J Bond Building Fund, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Measure J 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.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Measure J General Obligation Bonds for the fiscal year ended June 30, 2013. 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 Measure J 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:

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

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure J projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure J 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, 2013 for the Measure J 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.

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

We performed site walks to verify that Measure J funds expended for the fiscal year ended June 30, 2013 were for valid facilities acquisition and construction purposes. CWA toured Pittsburg High School, where Measure J work had taken place during the year ended June 30, 2013.

**Results of Procedures Performed:**

Results of the site walks indicate that the major 2012-13 Measure J construction projects utilized bond proceeds appropriately and within the guidelines set forth by Measure J ballot language.

<b>Test of Expenditures</b>
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**Procedures Performed:**

The following performance tests of expenditures and transfers were performed:

We tested approximately \$1,352,177 (89%) of the Measure J expenditures for the year ended June 30, 2013, 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 and transfers tested to be in compliance with the terms of the Measure J ballot measure, Facilities Master Plan, and applicable state laws and regulations without exception.



<b>Citizens' Oversight Committee</b>
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**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 to be in compliance with the aforementioned sections of Education Code.

Our audit of compliance was made for the purposes set forth in the second and third paragraphs 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 J 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

January 29, 2014

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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 Year Ended June 30, 2013**

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*There were no findings for the year ended June 30, 2013.*

**MEASURE J BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2013**

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*There were no findings for the prior year ended June 30, 2012.*