

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

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2012**



**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Table of Contents
For the Year Ended June 30, 2012**

	<u>Page</u>
Introduction and Bond Oversight Committee Member Listing.....	1
Independent Auditors' Report.....	2

FINANCIAL SECTION

Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to Financial Statements.....	6

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 <i>Government Auditing Standards</i>	15
Independent Auditors' Report on Performance.....	17

FINDINGS AND RESPONSES SECTION

Schedule of Findings and Responses	20
Summary Schedule of Prior Audit Findings.....	21

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Introduction and Bond Oversight Committee Member Listing
June 30, 2012**

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, 2012:

Name	Representation
Andre Mims	District Parent
Anthony Blackman	Committee at Large Member
Eddie Hart Jr.	Committee at Large Member
Fran Confetti	Senior Citizen Organization
Guadalupe Balderas	DELAC Parent
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

Heather Daud

Michael Ash, CPA

Erin Sacco Pineda, CPA

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

We have audited the accompanying balance sheet of the Pittsburg Unified School District Measure J Bond Building Fund ("Measure J") as of June 30, 2012, and the related statement of revenues, expenditures and changes in fund balance for the fiscal year ended June 30, 2012. These financial statements are the responsibility of the Pittsburg Unified School District's (the "District") management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1A, the financial statements present only the individual Measure J Bond Building Fund, consisting of the net construction proceeds of the Measure J general obligation bonds as issued by the District, through County of Contra Costa, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Measure J as of June 30, 2012, and the results of its operations for the fiscal year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

SAN DIEGO

2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

RANCHO CUCAMONGA

8686 Haven Avenue
Suite 250
Rancho Cucamonga, CA 91730

ALAMEDA

1050 Marina Village Parkway
Suite 201
Alameda, CA 94501

tel: 619.270.8222

fax: 619.260.9085

www.cwacpa.com

*Licensed by the California
State Board of Accountancy*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013, 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, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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.

Christy White Associates

San Diego, California
March 7, 2013

FINANCIAL SECTION

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Balance Sheet
June 30, 2012**

ASSETS	
Cash in county treasury	\$ 1,927,360
Investments	<u>50,818</u>
Total Assets	\$ <u>1,978,178</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 3,089,389
Due to other funds	<u>24,347</u>
Total Liabilities	<u>3,113,736</u>
Fund Balance	
Restricted for capital projects	<u>(1,135,558)</u>
Total Liabilities and Fund Balance	\$ <u>1,978,178</u>

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, 2012**

REVENUES	
Interest income	\$ 31,117
Total Revenues	<u>31,117</u>
EXPENDITURES	
Facilities acquisition and construction	<u>22,505,464</u>
Total Expenditures	<u>22,505,464</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,474,347)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	(24,347)
Proceeds from bond issuance	<u>27,086,827</u>
Total Other Financing Sources (Uses)	<u>27,062,480</u>
Net Change in Fund Balance	4,588,133
Fund Balance, July 1, 2011	<u>(5,723,691)</u>
Fund Balance, June 30, 2012	<u>\$ (1,135,558)</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, 2012**

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, 2012**

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, 2012**

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, 2012**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as cash in county treasury for \$1,927,360 and investments of \$50,818.

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, 2012**

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 with a fair value of approximately \$1,929,073 and an amortized book value of \$1,927,360.

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2012**

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, 2012, 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

Measure J had the following construction commitments as of June 30, 2012.

Project	Amount	Estimated Date of Completion
Black Diamond High School	\$ 2,374,372	December 2013
Pittsburg High School	\$ 2,220,000	To be determined

NOTE 4 – INTERFUND ACTIVITIES

Interfund transfers out as of June 30, 2012 consisted of:

- Transfers from the Building Fund to the County School Facilities fund in the amount of \$24,347 for project expenditures.

Due to/from other funds as of June 30, 2012 consisted of:

- Due from the Building Fund to the County School Facilities fund in the amount of \$24,347 for project expenditures.

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2012**

NOTE 5 – 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, 2012 consists of:

Bond Issue	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2011	Additions	Deletions	Outstanding June 30, 2012
2006 Series A	9/26/2007	4.0 - 8.0	2033	\$ 15,000,000	\$ 11,650,000	\$ -	\$ 355,000	\$ 11,295,000
2006 Series B	5/12/2010	2.5 - 5.0	2040	35,000,000	34,860,000	-	455,000	34,405,000
2006 Series C	7/14/2011	5.5	2046	35,000,000	-	35,000,000	95,000	34,905,000
			Total	\$ 85,000,000	\$ 46,510,000	\$ 35,000,000	\$ 905,000	\$ 80,605,000

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, 2012, the principal balance outstanding on these bonds was \$11,295,000. The annual requirements to amortize the District's Measure J, Series A general obligation bonds outstanding as of June 30 2012, is as follows:

Year Ended June 30,	Principal	Interest	Total
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	430,000	417,424	847,424
2018 - 2022	2,305,000	1,815,436	4,120,436
2023 - 2027	2,740,000	1,289,947	4,029,947
2028 - 2032	3,415,000	603,439	4,018,439
2033	795,000	18,881	813,881
Total	\$ 11,295,000	\$ 5,989,472	\$ 17,284,472

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2012**

NOTE 5 – 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 2.5% - 5.0%.

At June 30, 2012, the principal balance outstanding on these bonds was \$34,405,000. The annual requirements to amortize the District’s Measure J, Series B general obligation bonds outstanding as of June 30, 2012, is as follows:

Year Ended June 30,	Principal	Interest	Total
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	555,000	1,720,250	2,275,250
2018 - 2022	3,270,000	8,183,400	11,453,400
2023 - 2027	4,225,000	7,289,341	11,514,341
2028 - 2032	5,370,000	6,083,206	11,453,206
2033 - 2037	10,570,000	4,008,872	14,578,872
2038 - 2040	8,450,000	730,125	9,180,125
Total	\$ 34,405,000	\$ 35,088,276	\$ 69,493,276

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Notes to Financial Statements, continued
June 30, 2012**

NOTE 5 – 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, 2012, the principal balance outstanding on these bonds was \$34,905,000. The annual requirements to amortize the District’s Measure J, Series C general obligation bonds outstanding as of June 30, 2012, is as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 225,000	\$ 12,500	\$ 237,500
2014	285,000	15,000	300,000
2015	355,000	17,500	372,500
2016	440,000	30,000	470,000
2017	515,000	62,500	577,500
2018 - 2022	3,370,000	1,067,500	4,437,500
2023 - 2027	4,430,000	3,195,000	7,625,000
2028 - 2032	4,920,000	6,280,000	11,200,000
2033 - 2037	5,265,000	11,235,000	16,500,000
2038 - 2042	6,780,000	21,940,000	28,720,000
2043 - 2047	8,320,000	37,035,000	45,355,000
	<u>\$ 34,905,000</u>	<u>\$ 80,890,000</u>	<u># \$ 115,795,000</u>

NOTE 6 – EXPENDITURES BY SITE

The following table presents the expenditure amounts by project for the year ended June 30, 2012:

Site Name	Amount
Black Diamond High	\$ 10,542,355
Pittsburg High School	10,305,042
Other school sites	4,563
Facilities mangagment	1,353,504
Debt issuance costs	300,000
Total	<u>\$ 22,505,464</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

John Dominguez, CPA, CFE

Heather Daud

Michael Ash, CPA

Erin Sacco Pineda, CPA

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

We have audited the financial statements of the Measure J Bond Building Fund ("Measure J") of Pittsburg Unified School District as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 7, 2013. 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 Pittsburg Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 would not necessarily identify all deficiencies in internal control 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
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

RANCHO CUCAMONGA
8686 Haven Avenue
Suite 250
Rancho Cucamonga, CA 91730

ALAMEDA
1050 Marina Village Parkway
Suite 201
Alameda, CA 94501

tel: 619.270.8222
fax: 619.260.9085
www.cwacpa.com

Licensed by the California
State Board of Accountancy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Governing Board, Measure J's 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.

Christy White Associates

San Diego, California
March 7, 2013

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Christy White, CPA

John Dominguez, CPA, CFE

Heather Daud

Michael Ash, CPA

Erin Sacco Pineda, CPA

SAN DIEGO

2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

RANCHO CUCAMONGA

8686 Haven Avenue
Suite 250
Rancho Cucamonga, CA 91730

ALAMEDA

1050 Marina Village Parkway
Suite 201
Alameda, CA 94501

tel: 619.270.8222

fax: 619.260.9085

www.cwacpa.com

*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 the financial statements of the Measure L Bond Building Fund ("Measure J") of Pittsburg Unified School District as of and for the fiscal year ended June 30, 2012 and have issued our report thereon dated March 7, 2013. Our audit was made in accordance with generally accepted auditing standards in the United States of America 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for Measure J for the fiscal year ended June 30, 2012. The objective of the audit of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds from the sale of Measure J were only used for the purposes set forth in the ballot language 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.

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, waste, or abuse regarding Measure J resources
- Ensure adequate separation of duties exists in the accounting for Measure J funds
- Prevent material misstatements in the Measure J financial statements
- Ensure expenditures are allocated to the proper District fund

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 fiscal year 2011-12 financial statement balances for Measure J are not materially misstated.

Results of Procedures Performed:

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

Facilities Site Walk

Procedures Performed:

We performed a site walk to verify that Measure J funds expended for the year ended June 30, 2012 were for valid facilities and acquisition and construction purposes. We toured Black Diamond High School where a large amount of the 2011-12 construction work occurred.

Results of Procedures Performed:

During our site walk, we toured the mostly finished Black Diamond High School. We noted the exterior of the buildings have been finished and only minor tasks remain incomplete on some portions of the interior. The one-level building houses 17 classrooms and 2 science classrooms. Each new classroom is equipped with new desks, projectors and whiteboards. Additionally, the new computer lab has multiple student work stations, book storage, and projector screens for teacher use in instruction.

Tests of Expenditures

Procedures Performed:

The following performance tests of expenditures were performed:

1. We tested expenditures to determine whether Measure J funds were spent solely on voter and Board approved school facilities projects (as set forth in the District's Facilities Master Plan and the Measure J ballot language). The expenditure test included a sample of 25 vendor payments, totaling \$11.2 million, or approximately 51% of total Measure J expenditures for 2011-12.

Results of Procedures Performed:

We found all expenditures tested to be in compliance with the terms of the Measure J ballot language and applicable state laws and regulations, without exception.

Our audit of compliance made for the purposes 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, for the fiscal year ended June 30, 2012, as listed and tested above.

This report is intended solely for the information and use of the District's Governing Board, Measure J 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.

Christy White Associates

San Diego, California
March 7, 2013

FINDINGS AND RESPONSES SECTION

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Schedule of Findings and Responses
For the Year Ended June 30, 2012**

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

**MEASURE J BOND BUILDING FUND
PITTSBURG UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012**

There were no findings for the prior year ended June 30, 2011.