

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

FINANCIAL AND PERFORMANCE AUDIT REPORT

FOR THE YEAR ENDED  
JUNE 30, 2018

San Diego

Los Angeles

San Francisco  
Bay Area

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

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
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JUNE 30, 2018**

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**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING  
JUNE 30, 2018**

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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 4, 2014, the voters of Contra Costa County approved by more than 55% Measure N, authorizing the issuance and sale of \$85,000,000 of general obligation bonds. On June 3, 2015, the District issued Series A of the Election of 2014 General Obligation Bonds in the amount of \$30,000,000. On June 28, 2017, the District issued Series B of the Election of 2014 General Obligation Bonds in the amount of \$18,000,000.

Measure N 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 N 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, 2018:

<u>Name</u>	<u>Representation</u>
Fernando Sandoval	Citizen Tax Organization
Edward Borjon	Community Member at-Large
Fran Confetti	Senior Citizen Organization
Ronald Wilborn	Community Member at-Large
Gilbert Ruiz	Community Member at-Large
Dennisha Marsh	Parent Organization
Wolfgang Croskey	Parent/Chamber of Commerce

## INDEPENDENT AUDITORS' REPORT

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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

We have audited the accompanying financial statements of the Measure N Bond Building Fund of Pittsburg Unified School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the 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.

### **Auditors' Responsibility**

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*. 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 opinion.

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

Corporate Office:  
348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure N Bond Building Fund of Pittsburg Unified School District, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1A, the financial statements present only the Measure N Bond Building Fund and do not purport to, and do not present fairly the financial position of the Pittsburg Unified School District, as of June 30, 2018, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, on our consideration of the District'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 specific to the Measure N Bond Building Fund. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's 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 District's internal control over financial reporting and compliance.

## **Report of Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have issued our performance audit dated March 13, 2019, on our consideration of the District's compliance with the requirements of Proposition 39 as it directly relates to the Measure N Bond Building Fund. That report is an integral part of our audit of the Measure N Bond Building Fund of Pittsburg Unified School District, as of and for the year ended June 30, 2018, and should be considered in assessing the results of our financial audit.



San Diego, California

March 13, 2019

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## **FINANCIAL SECTION**

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**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
JUNE 30, 2018**

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<b>ASSETS</b>	
Investments	\$ 20,984
	<u>20,984</u>
<b>Total Assets</b>	<b>\$ 20,984</b>
	<u>20,984</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Deficit cash	\$ 5,553,735
Accounts payable	231,955
	<u>5,785,690</u>
<b>Total Liabilities</b>	<b>5,785,690</b>
	<u>5,785,690</u>
 <b>Fund Balance</b>	
Restricted for capital projects	(5,764,706)
	<u>(5,764,706)</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 20,984</b>
	<u>20,984</u>

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

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>EXPENDITURES</b>	
Facilities acquisition and construction	\$ 15,547,704
<b>Total Expenditures</b>	<u>15,547,704</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(15,547,704)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from bond issuance	<u>18,000,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>18,000,000</u>
<b>Net Change in Fund Balance</b>	2,452,296
<b>Fund Balance, July 1, 2017</b>	<u>(8,217,002)</u>
<b>Fund Balance, June 30, 2018</b>	<u>\$ (5,764,706)</u>

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



**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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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 4, 2014, the voters of Contra Costa County approved by more than 55% Measure N, authorizing the issuance and sale of \$85,000,000 of general obligation bonds to provide safe, modern neighborhood schools with updated computer technology, upgrade energy systems, including solar, reduce overcrowding, improve student learning by acquiring, upgrading, constructing, equipping classrooms, science/computer labs, and school facilities, replace aging roofs, plumbing, heating, ventilation/electrical systems, improve fire alarms, school security and earthquake safety. 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 N 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 N.

The statements presented are for the individual Measure N Bond Building Fund of the District consisting of net construction proceeds of Series A 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”).

**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.

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018**

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

**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. Cash 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.

**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.

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018**

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

**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 N 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.

**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Investments as of June 30, 2018 are classified in the accompanying financial statements as \$20,984 held in the Local Agency Investment Fund described below. As of June 30, 2018, the Measure N Bond Building Fund held a deficit balance in the cash in county treasury in the amount of \$5,553,735.

**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 N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018**

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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. The weighted average days to maturity for this pool is 167 days.

*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 \$20,984, which approximates fair value.

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018**

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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, 2018, 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, 2018 were uncategorized for the local agency investment fund and total \$20,984.

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018**

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**NOTE 3 – CONSTRUCTION COMMITMENTS**

As of June 30, 2018, the Measure N Bond Building Fund had significant commitments with respect to unfinished Measure N capital projects totaling \$4,024,595.

**NOTE 4 – ELECTION 2014 GENERAL OBLIGATION BONDS**

On November 4, 2014, the voters of Contra Costa County approved by more than 55% Measure N, authorizing the issuance and sale of \$85,000,000 of general obligation bonds to provide safe, modern neighborhood schools with updated computer technology, upgrade energy systems, including solar, reduce overcrowding, improve student learning by acquiring, upgrading, constructing, equipping classrooms, science/computer labs, and school facilities, replace aging roofs, plumbing, heating, ventilation/electrical systems, improve fire alarms, school security and earthquake safety.

The outstanding general obligation bonded debt related to Measure N at June 30, 2018 consists of:

Bond Issue	Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Bonds Outstanding			Bonds Outstanding June 30, 2018
					July 1, 2017	Additions	Deletions	
2014 Series A	June 3, 2015	3.00% - 5.00%	August 1, 2044	\$ 30,000,000	\$ 28,970,000	\$ -	\$ 870,000	\$ 28,100,000
2014 Series B	June 28, 2017	3.125% - 5.00%	August 1, 2046	18,000,000	-	18,000,000	-	18,000,000
				<u>\$ 48,000,000</u>	<u>\$ 28,970,000</u>	<u>\$ 18,000,000</u>	<u>\$ 870,000</u>	<u>\$ 46,100,000</u>

**Election of 2014, Series A General Obligation Bonds**

On June 3, 2015, the District issued Series A of the Election of 2014 Measure N General Obligation Bonds in the amount of \$30,000,000 with issuance costs of \$248,552. The current interest bonds have interest rates ranging from 3.00% to 5.00%.

At June 30, 2018, the principal balance outstanding on these bonds was \$28,100,000. The annual requirements to amortize the District’s Measure N, Series A general obligation bonds outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ -	\$ 1,193,443	\$ 1,193,443
2020	-	1,193,443	1,193,443
2021	-	1,193,443	1,193,443
2022	-	1,193,443	1,193,443
2023	-	1,193,443	1,193,443
2024 - 2028	700,000	5,933,963	6,633,963
2029 - 2033	1,910,000	5,523,213	7,433,213
2034 - 2038	5,160,000	4,946,460	10,106,460
2039 - 2043	13,390,000	2,912,516	16,302,516
2044 - 2045	6,940,000	293,198	7,233,198
Total	<u>\$ 28,100,000</u>	<u>\$ 25,576,565</u>	<u>\$ 53,676,565</u>

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018**

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**NOTE 4 – ELECTION 2014 GENERAL OBLIGATION BONDS (continued)**

**Election of 2014, Series B General Obligation Bonds**

During the year ended June 30, 2018, the District issued Election of 2014, Series B Bonds in the amount of \$18,000,000. The proceeds of the bonds were used to finance the acquisition and construction of educational facilities and projects and to pay for costs of issuance of the bonds. The bond accrues interest between 3.25% and 5.00% per annum from the date of the issuance and is payable semi-annually on February 1 and August 1 of each year through August 2046.

The annual requirement to amortize the District’s Measure N, Series B general obligation bonds outstanding as of June 30, 2018, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 1,315,000	\$ 678,554	\$ 1,993,554
2020	1,480,000	627,844	2,107,844
2021	-	553,844	553,844
2022	-	553,844	553,844
2023	-	553,844	553,844
2024 - 2028	-	2,769,219	2,769,219
2029 - 2033	2,170,000	2,670,719	4,840,719
2034 - 2038	3,470,000	1,946,819	5,416,819
2039 - 2043	2,335,000	1,531,750	3,866,750
2044 - 2047	7,230,000	796,775	8,026,775
Total	\$ 18,000,000	\$ 12,683,212	\$ 30,683,212

**NOTE 5 – EXPENDITURES BY SITE**

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2018:

<b>Site Name</b>	<b>Amount</b>
Pittsburg High School	\$ 7,592,466
Willow Cove Elementary School	7,030,245
Bond Program Administration	375,609
Highlands Elementary School	267,743
Foothill Elementary School	221,664
Los Medanos Elementary School	49,856
Stoneman Elementary School	10,121
Total	\$ 15,547,704

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018**

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**NOTE 6 – SUBSEQUENT EVENTS**

**General Obligation Bonds**

On September 27, 2018, the District issued \$20,000,000 in Election of 2014, Series C General Obligation Bonds to finance the acquisition and improvement of various capital facilities of the District. With the anticipation of the issuance of Series C, the District carried a negative fund balance at June 30, 2018 and was replenished when the funds were released.



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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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 D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Independent Auditors' Report

Measure N Citizens' Bond Oversight Committee and  
Governing Board Members of the  
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 N Bond Building Fund of Pittsburg Unified School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Pittsburg Unified School District's basic financial statements of the Measure N Bond Building Fund, and have issued our report thereon dated March 13, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pittsburg Unified School District'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 of the Measure N Bond Building Fund, but not for the purpose of expressing an opinion on the effectiveness of Pittsburg Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pittsburg Unified School District'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.

Corporate Office:  
348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

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## **Internal Control over Financial Reporting (continued)**

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 Pittsburg Unified School District's financial statements of the Measure N Bond Building Fund are free from 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.



San Diego, California  
March 13, 2019

## REPORT ON PERFORMANCE

### Independent Auditors' Report

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

#### Report on Performance

We have audited Pittsburg Unified School District's compliance with the performance audit procedures described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on Pittsburg Unified School District's Measure N Bond Building Fund for the fiscal year ended June 30, 2018, as identified below.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to local school construction bonds.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of Pittsburg Unified School District's Measure N Bond Building Fund based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the evidence obtained in our performance audit provides a reasonable basis for our findings and conclusions based on our audit objectives. However, our audit does not provide a legal determination of Pittsburg Unified School District's compliance with those requirements.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

#### Corporate Office:

348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229

tel: 619.270.8222

fax: 619.260.9085

www.christywhite.com

*Licensed by the California*

*State Board of Accountancy*

## **Opinion on Performance**

In our opinion, Pittsburg Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure N Bond Building Fund noted below for the year ended June 30, 2018.

## **Procedures Performed**

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Pittsburg Unified School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure N Bond Building Fund. Additional agreed upon procedures relating the Measure N Bond Building Fund may also be included.

The results of the procedures performed and the related results are further described in the accompanying performance audit results following this Report on Performance.

*Christy White Associates*

San Diego, California  
March 13, 2019

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
AUDIT PROCEDURES AND RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS**

**Financial Statements**

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As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure N Bond Building Fund as of and for the fiscal year ended June 30, 2018.

**Internal Control Evaluation**

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We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS**

**Facility Project Expenditures**

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We selected a representative sample of expenditures charged to the Measure N Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Measure N ballot.

We tested approximately \$8,300,609 of non-personnel expenditures or 53% of total 2017-18 Measure N Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure N ballot language, the District approved facilities plan, and applicable state laws and regulations.

**Personnel Expenditures**

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We reviewed salaries and benefits charged to the Measure N Bond Building Fund to verify that the personnel expenditures were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General, which concluded that “a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.”

We reviewed a listing of all employees charged to the Measure N Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Measure N Bond Building Fund appeared allowable.

**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
AUDIT PROCEDURES AND RESULTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

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**SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)**

**Facilities Site Walk**

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We verified that funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects by review of supporting documentation as previously noted under Facility Project Expenditures but also through performance of facilities site walks.

Facilities site walks were performed for projects at Willow Cove Elementary School and Pittsburg High School. We toured the school site of Willow Cove Elementary School and physically observed the newly remodeled library and counseling offices. Additionally, we physically observed the newly constructed regular and science lab classrooms at Pittsburg High School. Based on our site walks, the projects for the school sites appear to be successfully completed and funds appear to be expended for authorized bond projects.

**Contract and Bid Procedures**

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We reviewed a listing of contracts awarded during the fiscal year ended June 30, 2018 and selected a sample to ensure that contracts for public projects followed appropriate bidding procedures per applicable Public Contract Code. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold were identified to suggest any possible bid-splitting.

We noted that there was only one contract awarded during the year. We reviewed that applicable bidding procedures were followed, and that the contract was appropriately awarded to the lowest responsible bidder for the Foothill/Highlands Elementary School Play Structure project.

The District appears to be properly reviewing projects and applying appropriate procedures over contract and bidding procedures.

**Contracts and Change Orders**

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For the fiscal year ended June 30, 2018, we inquired with District management to determine if any change orders were approved in accordance with District policies. As a result, we determined there were no change orders during the year ended June 30, 2018.

**Citizens' Bond Oversight Committee (CBOC)**

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In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds to include one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers' association, parent/guardian of a child enrolled in the District and a parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. Additionally, no employee or official of the District shall be appointed to the citizens' oversight committee.

We found that the District successfully compiled a CBOC with an active member from each of the required representations. No members of the CBOC are also an employee, official, vendor or consultant of the District. Refer to the Introduction and CBOC Member Listing for a listing of current members as of June 30, 2018.

The previous Report on Performance is an integral part of the above performance audit results.

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## **FINDINGS AND RESPONSES SECTION**

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**MEASURE N BOND BUILDING FUND  
PITTSBURG UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**PART I – SUMMARY OF AUDITORS’ RESULTS**

<b>FINANCIAL STATEMENTS</b>	<u>Unmodified</u>
Type of auditors’ report issued	
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to the financial statements?	<u>No</u>
 <b>PERFORMANCE AUDIT</b>	
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditor’s report issued on performance for local school construction bonds:	<u>Unmodified</u>

**PART II – FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements in 2017-18.

**PART III – PERFORMANCE AUDIT FINDINGS**

There were no findings or recommendations related to local school construction bonds in 2017-18.

**PART IV – PRIOR AUDIT FINDINGS**

There were no findings and recommendations during the year ended June 30, 2017.