

PIEDMONT UNIFIED SCHOOL DISTRICT

**MEASURE E
2006 GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2013

**PIEDMONT UNIFIED SCHOOL DISTRICT
MEASURE E
2006 GENERAL OBLIGATION BONDS**

JUNE 30, 2013

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board and
the Citizens' Oversight Committee
Piedmont Unified School District
Piedmont, California

We were engaged to conduct a performance audit of the Piedmont Unified School District (the District), Building Fund and County School Facility Fund (Measure E - 2006 General Obligation Bond funds) for the year ended June 30, 2013.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control over Measure E in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure E - 2006 General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
February 13, 2014

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

JUNE 30, 2013

AUTHORITY FOR ISSUANCE

The Measure E Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on March 7, 2006 (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District in December 16, 2005.

The District received authorization at an election held on March 7, 2006, to issue bonds of the District in an aggregate principal amount not to exceed \$56,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2006 Authorization). The Bonds represent the first through third series of the authorized bonds to be issued under the 2006 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include reconstruction or replacement of Piedmont public school buildings to reduce dangers from earthquakes and to meet state and federal seismic safety standards, to provide safe classrooms and facilities and to improve the likelihood of Piedmont schools qualifying for state matching funds.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. The school district to appoint a citizens' fiscal oversight committee.
4. The school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. The school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

JUNE 30, 2013

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Building Fund and County School Facilities Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure E.
2. Determine whether salary transactions if any, charged to the Building Fund and County School Facilities Fund were in support of Measure E and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2012 to June 30, 2013. The population of expenditures tested included all object and project codes associated with the bond projects. Expenditures incurred subsequent to June 30, 2013 were not reviewed or included within the scope of our audit or in this report.

FINANCIAL SUMMARY

- 1) The 2006 general obligation bond funds were authorized at an election of the registered voters of the District held on March 7, 2006. The District received authorization to issue \$56,000,000 of bonds for the purpose of financing the repair, reconstruction, or replacement of school facilities. The first series of the 2006 bonds was issued in July 2006 with a principal amount of \$14,999,934, the second series was issued in October 2009 with a principal amount of \$19,000,000, and the third series was issued in April 2011 with a principal amount of \$10,000,000.
- 2) Total expenditures and commitments through June 30, 2013, were \$71,814,018.
- 3) An analysis of expenditures is as follows:

	Expenditures		
	Prior Periods	Current Period	Total
Current Expenditures			
Books and supplies *	\$ 733,675	\$ 326,986	\$ 1,060,661
Services and operating expenditures *	3,458,846	964,051	4,422,897
Capital outlay			
Buildings and improvements	61,929,462	3,174,993	65,104,455
Sites and site improvements	923,593	12,428	936,021
Equipment	89,984	-	89,984
Total expenditures	<u>\$ 67,135,560</u>	<u>\$ 4,478,458</u>	71,614,018
Contract commitments, June 30, 2013			200,000
Total expenditures and commitments			<u>\$ 71,814,018</u>

*Expenditure titles as defined by California Account Code Structure

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

JUNE 30, 2013

4) Available unspent funds from the bonds as of June 30, 2013 are:

	Prior Periods	Current Period	Total
2006 General obligation bonds proceeds	\$ 43,999,934	\$ -	\$ 43,999,934
Premium	959,545	-	959,545
Debt service deposit	(746,411)	-	(746,411)
Less issuance costs	(778,028)	-	(778,028)
Net bond proceeds available for construction	43,435,040	-	43,435,040
Bond anticipation notes	11,997,665	-	11,997,665
Interest income	1,367,441	11,125	1,378,566
State revenue (apportionments)	13,154,028	2,995,026	16,149,054
Other local revenue	1,694,723	10,288	1,705,011
Total income	<u>\$ 71,648,897</u>	<u>\$ 3,016,439</u>	74,665,336
Total expenditures and commitments			<u>(71,814,018)</u>
Amount available (to be provided)			<u>\$ 2,851,318</u>

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013 for the Building Fund and County School Facilities Fund (Measure E). For the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure E as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2012 and ending June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$2,137,437. This represents 48 percent of the total expenditures of \$4,478,458.
3. We verified that funds from Measure E were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Piedmont Unified School District has properly accounted for the expenditures held in Measure E and that such expenditures were made for authorized Bond projects.

**PIEDMONT UNIFIED SCHOOL DISTRICT
BUILDING FUND AND COUNTY SCHOOL FACILITIES FUND (MEASURE E)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

None reported.