

**PACIFIC GROVE
UNIFIED SCHOOL DISTRICT**

**GENERAL OBLIGATION BONDS
AGREED-UPON PROCEDURES AUDIT**

JUNE 30, 2009



Measure D Citizen's Oversight Committee
Pacific Grove Unified School District
Pacific Grove, California

Legislative History

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. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b) (3) 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. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit of the bond proceeds until all of the proceeds have been expended. The District meets this requirement through the annual audit of the building fund as a major fund within the District's independent financial audit.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

Pacific Grove Unified School District Measure D General Obligation Bond

On June 6, 2006, the electorate of the Pacific Grove Unified School District approved the \$42 million Measure D general obligation bond with 65.6 percent of the votes in favor. The text of the ballot language was as follows:

To repair and renovate classrooms, schools and educational facilities throughout the District and build new classrooms and educational facilities, including science labs and music rooms, shall Pacific Grove Unified School District issue \$42 million of bonds at the lowest possible interest rates so long as spending is annually reviewed by an independent citizens' oversight committee and all funds are spent locally and cannot be transferred to the State.

As required by Article XIII A, Section 1 (b) (3) of the California Constitution, a specific project list was identified and provided in the full ballot language. This specific project list is provided below.

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Bond proceeds will be used on projects at the following sites:

- Forest Grove School
- Robert Down School
- David Avenue School
- Pacific Grove Middle School
- Pacific Grove High School
- Lighthouse School
- Community High School
- Maintenance Facility
- District Administrative Offices
- Transportation Facility

Projects at each site shall include, as appropriate, but not be limited to, items such as the following:

- Repair and refurbish classrooms and other areas serving student needs
- Install and replace equipment and furniture in areas serving student needs
- Install, repair and/or replace and upgrade heating and ventilation systems
- Remove asbestos and lead where necessary
- Install, repair and/or replace plumbing systems, including water, sewer and gas
- Install, repair and/or replace underground infrastructure and pipes due to deterioration
- Install new technology upgrades, including infrastructure
- Install, repair and/or replace and upgrade electrical power systems
- Install, repair and/or replace electrical and lighting systems including energy saving upgrades
- Install, repair and/or replace phones, data, bells, public address, intercom, cable and fiber optic systems
- Provide furniture and equipment upgrades for classroom, auditoriums, gymnasiums, multi-purpose buildings and conference rooms – including audio visual and Internet access
- Install exterior safety lighting on walkways and in parking lots
- Install, repair and/or replace and upgrade security systems including hardware and electronic systems
- Install, repair and/or replace and upgrade science and computer labs and classrooms
- Install, repair and/or replace science classrooms fixtures
- Improve earthquake resistance systems
- Install insulation and weather-stripping
- Install, repair and/or replace flooring
- Install, repair and/or replace doors and door hardware
- Install, repair and/or replace ceilings
- Install, repair and/or replace interior and exterior finishes
- Install, repair and/or replace roofing and gutters
- Install, energy management systems
- Install, new windows
- Improve site storm drainage
- Install, repair and/or replace and upgrade irrigation systems
- Install, repair and/or replace sidewalks, walkways, asphalt pavement, parking lots, driveways, playground surfaces, playfields and tennis courts

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Projects (Continued)

- Install, repair and/or replace fencing
- Install, repair and refurbish restrooms and shower areas
- Install, repair and/or replace lockers
- Install safety lighting in gymnasiums and shower and lockers areas
- Install new stadium bleachers, lighting and turf
- Install, repair or replace track surfaces
- Install, replace and/or repair gym floors
- Install, repair and/or renovate auditoriums
- Install, repair and/or renovate gymnasiums
- Install, repair and/or renovate kitchens and cafeterias
- Repair and/or renovate home economics classrooms
- Install, repair and/or renovate industrial arts classrooms
- Install, repair and/or renovate libraries
- Install, replace, repair and/or renovate stadium buildings
- Repair, replace and/or renovate swimming pool
- Repair, renovate or replace administrative offices at schools and central office
- Install, repair and renovate student stores
- Install, repair and renovate shop buildings
- Install, repair, renovate or replace music rooms and performance arts facilities
- Install, repair and renovate athletic stadium access
- Install, repair or renovate student activity areas
- Install, repair and renovate fire alarm systems
- Install, repair, renovate and replace modular classrooms and permanent facilities

Performance Audit

We have performed the agreed-upon procedures, which were agreed to by the management of the Pacific Grove Unified School District, to meet the compliance requirements to perform a “performance audit” referred to in Proposition 39 and as outlined in subparagraph (C) of paragraph (3) of subdivision (b) of section 1 of Article XIII A of the California Constitution with respect to the District’s Measure D General Obligation Bonds for the fiscal year ended June 30, 2009. 2006 Election Series A, Series B and Series C Bonds were issued in the principal amounts of \$6,000,000, \$9,720,000 and \$9,500,000, respectively. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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Financial Summary

1. Revenues

	<u>Amount</u>
Net available from sale of Series C Bonds	\$ 9,500,000
Balance available from Series A and B Bonds	12,178,441
Interest earned for year ended June 30, 2008	224,515
Loss on investments with County Treasury	(435,695)
Total available for project from Bond Funds	<u><u>\$ 21,467,261</u></u>

2. Expenditures for the 2008-2009 fiscal year were \$11,585,102, and total expenditures of the bond funds through June 30, 2009, were \$23,176,284.

Buildings and Improvements	\$ 9,659,978
Architect's Fees	1,465,846
Other Professional Services	459,278
Total Expenditures	<u><u>\$ 11,585,102</u></u>

3. Available unspent funds as of June 30, 2009, are \$9,882,159.

Procedures Performed

1. Verify that the net proceeds from the sale of the General Obligation Bonds were deposited in total into the appropriate District funds and accounted for separately in the accounting records to allow for accountability.
2. Verify that the expenditures of funds were accounted for separately within the appropriate funds to allow for accountability.
3. Verify that the funds expended complied with the purpose that was specified to the registered voters of the District through a test of expenditures covering a minimum of 80% of expenditures of the bond funds for the fiscal year.

Results of Procedures

1. The General Obligations Bond funds were deposited in total into the District's Building Fund and accounted for separately in the accounting records to allow for accountability.
2. Expenditures of funds were accounted for separately within the appropriate funds to allow for accountability.
3. We examined expenditures aggregating \$9,746,961 or 84.0 percent of the total 2006 Election Series Bond expenditures for the year ended June 30, 2009. Our review revealed no items that were paid from the Bond proceeds that did not comply with the purpose of the Bonds that were approved by the registered voters of the District on June 6, 2006.

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We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the use of the Pacific Grove Unified School District and the Citizens' Bond Oversight Committee, and is not intended to be, and should not be, used by anyone other than those specified parties.

Vavrinak, Trime, Yang & Co. LLP

Fresno, California
November 6, 2009