



**PACIFIC GROVE  
UNIFIED SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2008**

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**  
**OF MONTEREY COUNTY**  
**PACIFIC GROVE, CALIFORNIA**  
**JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mike Niccum	President	2010
Beth Shammass	Vice President/Clerk	2009
Jessie Bray	Member	2009
Bill Phillips	Member	2009
Tony Sollecito	Member	2010

**ADMINISTRATION**

Ralph Porras	Superintendent
Robin Blakley	Assistant Superintendent, Business
Billie Mankey	Director, Human Resources
Cathie McAweeney	Director, Curriculum/Special Projects
Cindy Gallo	Director, Student Services

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

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JUNE 30, 2008

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Pacific Grove Unified School District  
Pacific Grove, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pacific Grove Unified School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pacific Grove Unified School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 47, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, the Combining Statements - Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

*Varvink, Trine, Day & Co., LLP*  
Fresno, California  
December 12, 2008



[www.pgusd.org](http://www.pgusd.org)

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**  
**555 Sinex Avenue Pacific Grove, California 93950**

**Ralph Gómez Porras**  
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This section of Pacific Grove Unified School District's (2007-08) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

***The Financial Statements***

The financial statements presented herein include all of the activities of the Pacific Grove Unified School District (the "District") using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

*Governmental Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Pacific Grove Unified School District.



# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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### ***REPORTING THE DISTRICT AS A WHOLE***

#### *The Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health is* improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we present the District activities as follows:

**Governmental Activities** - The District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

#### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

### ***THE DISTRICT AS TRUSTEE***

#### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### ***THE DISTRICT AS A WHOLE***

#### *Net Assets*

The District's net assets were \$21,341,861 for the fiscal year ended June 30, 2008, and \$20,562,871 for the fiscal year ended June 30, 2007, an increase of \$778,990. Of this amount, \$3,853,985 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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**Table 1**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current and other assets	\$ 20,121,993	\$ 13,076,487
Capital assets (Net of accumulated depreciation)	29,946,953	26,853,129
<b>Total Assets</b>	<u>50,068,946</u>	<u>39,929,616</u>
<b>Liabilities</b>		
Current liabilities	1,392,128	1,458,329
Long-term obligations	27,334,957	17,908,416
<b>Total Liabilities</b>	<u>28,727,085</u>	<u>19,366,745</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,752,668	9,056,039
Restricted	14,725,208	9,239,397
Unrestricted	3,853,985	2,267,435
<b>Total Net Assets</b>	<u>\$ 21,331,861</u>	<u>\$ 20,562,871</u>

The \$3,853,985 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Table 2**

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 503,970	\$ 793,689
Operating grants and contributions	4,443,662	5,019,578
General revenues:		
Federal and State aid not restricted	840,599	1,081,673
Property taxes	18,891,629	17,961,323
Other general revenues	3,416,284	2,198,178
<b>Total Revenues</b>	<u>28,096,144</u>	<u>27,054,441</u>
<b>Expenses</b>		
Instruction-related	18,040,821	16,900,755
Student support services	2,283,539	1,753,550
Administration	1,771,350	2,322,137
Maintenance and operations	2,220,033	2,340,316
Other	3,001,411	4,213,721
<b>Total Expenses</b>	<u>27,317,154</u>	<u>27,530,479</u>
<b>Change in Net Assets</b>	<u>\$ 778,990</u>	<u>\$ (476,038)</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$27,317,154, as compared to \$27,530,479 in the prior year. The amount that our taxpayers financed for these activities through local taxes was \$18,891,629 because the cost was paid by those who benefited from the programs (\$503,970) or by other governments and organizations who subsidized certain programs with grants and contributions (\$4,443,662). We paid for the remaining "public benefit" portion of our governmental activities with \$840,599 in State funds and \$3,416,284 in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions - regular program instruction, instruction-related activities, home-to-school transportation services, other pupil services, general administration, maintenance and operations and other activities. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits provided by that function.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

**Table 3**

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 15,024,188	\$ 11,578,696	\$ 14,088,966	\$ 10,217,918
Instruction-related activities	3,016,633	2,340,880	2,811,789	2,155,849
Home-to-school transportation	393,555	262,788	161,357	28,848
Other pupil services	1,889,984	1,393,910	1,592,193	1,134,709
General administration	1,771,350	1,771,350	2,322,137	1,920,453
Maintenance and operations	2,220,033	2,220,033	2,340,316	2,209,493
Ancillary services	411,525	411,525	342,180	342,180
Community services	273,546	273,546	284,832	284,832
Interest on long-term obligations	811,255	811,255	689,439	689,439
Other outgo	781,343	581,797	640,597	476,818
Other	723,742	723,742	2,256,673	2,256,673
<b>Total</b>	<b>\$ 27,317,154</b>	<b>\$ 22,369,522</b>	<b>\$ 27,530,479</b>	<b>\$ 21,717,212</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$18,729,865 while the prior year reported \$11,618,158, which is an increase of \$7,111,707 (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2007	Revenues	Expenditures	June 30, 2008
General	\$ 3,261,372	\$ 22,610,748	\$ 22,933,048	\$ 2,939,072
Building	6,089,578	9,906,543	3,593,472	12,402,649
Non-Major Governmental	2,267,208	6,206,623	5,085,687	3,388,144
<b>Total</b>	<b>\$ 11,618,158</b>	<b>\$ 38,723,914</b>	<b>\$ 31,612,207</b>	<b>\$ 18,729,865</b>

The primary reasons for these changes are:

The General Fund is the District's principal operating fund. The fund balance in the General Fund decreased \$322,300 to \$2,939,072. This decrease is due primarily to expenditures exceeding revenue by that amount. The increase in the Building Fund was due to a new bond issue. The increase in Non-Major Funds was due to increases in various funds.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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### *General Fund Budgetary Highlights*

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on May 15, 2008. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 47).

- Significant revenue revisions made to the 2007-08 Budget were due to revised property tax projections made after the budget adoption.
- Significant expenditure increases made to the 2007-08 Budget occurred primarily due to negotiated employee compensation increases and the carryover of prior year funds both of which occurred after budget adoption.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### *Capital Assets*

At June 30, 2007, the District had \$26,853,129 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2008, the District's Capital Assets were \$29,946,953. This amount represents a net increase (including additions, deductions and depreciation) of \$3,093,824 from last year (Table 5).

**Table 5**

	Governmental Activities		
	2008	2007	Variance
Land and construction in process	\$ 1,790,448	\$ 486,823	\$ 1,303,625
Buildings and improvements	28,059,772	26,284,920	1,774,852
Furniture and equipment	96,733	81,386	15,347
<b>Total</b>	<b>\$ 29,946,953</b>	<b>\$ 26,853,129</b>	<b>\$ 3,093,824</b>

Several capital projects are planned for the 2008-09 year. We anticipate capital additions to be \$1,371,436 million for the 2008-09 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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### Long-Term Obligations

At the end of this year, the District had \$26,906,000 in bonds outstanding versus \$17,461,000 last year, an increase of \$9,445,000. The long-term obligations of the District include the following:

**Table 6**

	Governmental Activities		
	2008	2007	Variance
General obligation bonds (financed with property taxes)	\$ 26,906,000	\$ 17,461,000	\$ 9,445,000
Compensated absences	140,672	111,326	29,346
Capitalized lease obligations	42,509	20,856	21,653
Early retirement contracts	245,776	315,234	(69,458)
<b>Total</b>	<b>\$ 27,334,957</b>	<b>\$ 17,908,416</b>	<b>\$ 9,426,541</b>

We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-08 ARE NOTED BELOW:***

Continued the implementation of the \$42 million school modernization project, funded by a general obligation bond (Measure D), which includes renovations and additions at all school sites. Major initial construction began on a new music room for the middle school, the exterior painting of three schools and a complete stadium renovation at the high school.

### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2008-09 year, the District Board and management used the following key assumptions in our revenue and expenditure forecasts:

1. Property tax revenues will increase by 5 percent due to an estimated rise in assessed valuation.
2. No "basic aid" will be received.
3. Federal income will not increase over 2007-08 levels.
4. The District will receive an estimated \$233,533 for the local parcel tax approved in 2003.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Pacific Grove Unified School District, 555 Sinex Avenue, Pacific Grove, California, 93950, or e-mail at [rblakley@pgusd.org](mailto:rblakley@pgusd.org).

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 19,160,603
Receivables	958,971
Stores inventory	2,419
Nondepreciable capital assets	1,790,448
Depreciable capital assets	33,146,505
Accumulated depreciation	(4,990,000)
<b>Total Assets</b>	<u>50,068,946</u>
<b>LIABILITIES</b>	
Accounts payable	1,323,471
Deferred revenue	68,657
Current portion of long-term obligations	507,128
Noncurrent portion of long-term obligations	26,827,829
<b>Total Liabilities</b>	<u>28,727,085</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,752,668
Restricted for:	
Debt service	790,390
Capital projects	12,402,649
Educational programs	420,698
Other activities	1,121,471
Unrestricted	3,853,985
<b>Total Net Assets</b>	<u>\$ 21,341,861</u>

The accompanying notes are an integral part of these financial statements.



**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 15,024,188	\$ 178,075	\$ 3,267,417
Instruction-related activities:			
Supervision of instruction	174,639	-	15,866
Instructional library, media and technology	351,877	-	-
School site administration	2,490,117	51,799	608,088
Pupil services:			
Home-to-school transportation	393,555	7,386	123,381
Food services	542,861	265,333	71,042
All other pupil services	1,347,123	1,377	158,322
General administration:			
Data processing	6,824	-	-
All other general administration	1,764,526	-	-
Plant services	2,220,033	-	-
Ancillary services	411,525	-	-
Community services	273,546	-	-
Enterprise services	723,742	-	-
Interest on long-term obligations	811,255	-	-
Other outgo	781,343	-	199,546
<b>Total Governmental Activities</b>	<u>\$ 27,317,154</u>	<u>\$ 503,970</u>	<u>\$ 4,443,662</u>
General revenues and subventions:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Taxes levied for other specific purposes			
Federal and State aid not restricted to specific purposes			
Interest and investment earnings			
Miscellaneous			
<b>Subtotal, General Revenues</b>			
<b>Change in Net Assets</b>			
Net Assets - Beginning			
Net Assets - Ending			

The accompanying notes are an integral part of these financial statements.

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<b>Net (Expenses)</b>
<b>Revenues and</b>
<b>Changes in</b>
<b>Net Assets</b>
<b>Governmental</b>
<b>Activities</b>
\$ (11,578,696)
(158,773)
(351,877)
(1,830,230)
(262,788)
(206,486)
(1,187,424)
(6,824)
(1,764,526)
(2,220,033)
(411,525)
(273,546)
(723,742)
(811,255)
(581,797)
<u>(22,369,522)</u>
17,539,822
1,086,269
265,538
840,599
397,363
<u>3,018,921</u>
<u>23,148,512</u>
778,990
<u>20,562,871</u>
<u>\$ 21,341,861</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Deposits and investments	\$ 3,351,919	\$ 12,716,985	\$ 3,091,699
Receivables	643,974	-	314,997
Stores inventory	-	-	2,419
<b>Total Assets</b>	<u>\$ 3,995,893</u>	<u>\$ 12,716,985</u>	<u>\$ 3,409,115</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 989,624	\$ 314,336	\$ 19,511
Deferred revenue	67,197	-	1,460
<b>Total Liabilities</b>	<u>1,056,821</u>	<u>314,336</u>	<u>20,971</u>
<b>FUND BALANCES</b>			
Reserved for:			
Revolving cash	5,000	-	-
Stores inventory	-	-	2,419
Legally restricted balance	420,698	-	-
Unreserved:			
Designated	1,830,383	12,402,649	87,470
Undesignated, reported in:			
General Fund	682,991	-	-
Special revenue funds	-	-	1,031,582
Debt service funds	-	-	790,390
Capital projects funds	-	-	1,476,283
<b>Total Fund Balance</b>	<u>2,939,072</u>	<u>12,402,649</u>	<u>3,388,144</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,995,893</u>	<u>\$ 12,716,985</u>	<u>\$ 3,409,115</u>

The accompanying notes are an integral part of these financial statements.

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**Total  
Governmental  
Funds**

\$ 19,160,603  
958,971  
2,419  
\$ 20,121,993

\$ 1,323,471  
68,657  
1,392,128

5,000  
2,419  
420,698

14,320,502

682,991  
1,031,582  
790,390  
1,476,283  
18,729,865

\$ 20,121,993

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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**Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 18,729,865</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 34,936,953	
Accumulated depreciation is	<u>(4,990,000)</u>	
Total capital assets - net		29,946,953
Long-term liabilities, including general obligation bonds, compensated absences, capital lease obligations and early retirement consultancy contracts are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
General obligation bonds	(26,906,000)	
Early retirement	(245,776)	
Compensated absences	(140,672)	
Capital lease obligations	<u>(42,509)</u>	
Total long-term liabilities		<u>(27,334,957)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u><u>\$ 21,341,861</u></u></b>

The accompanying notes are an integral part of these financial statements.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Revenue limit sources	\$ 17,473,051	\$ -	\$ -
Federal sources	509,240	-	122,263
Other State sources	2,430,236	-	2,506,605
Other local sources	2,155,546	186,543	2,712,660
<b>Total Revenues</b>	<u>22,568,073</u>	<u>186,543</u>	<u>5,341,528</u>
<b>EXPENDITURES</b>			
Current			
Instruction	13,212,626	-	1,567,111
Instruction-related activities:			
Supervision of instruction	174,639	-	-
Instructional library, media and technology	351,877	-	-
School site administration	1,909,048	-	560,597
Pupil services:			
Home-to-school transportation	216,128	-	-
Food services	-	-	488,268
All other pupil services	1,332,310	-	14,813
General administration:			
All other general administration	1,442,151	-	279,381
Plant services	2,213,542	-	17,899
Facility acquisition and construction	-	3,585,722	83,567
Ancillary services	411,525	-	-
Community services	475	-	273,071
Other outgo	781,343	-	-
Enterprise services	-	-	723,742
Debt service			
Principal	21,022	-	275,000
Interest and other	1,267	7,750	802,238
<b>Total Expenditures</b>	<u>22,067,953</u>	<u>3,593,472</u>	<u>5,085,687</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>500,120</u>	<u>(3,406,929)</u>	<u>255,841</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	865,095
Other sources	42,675	9,720,000	-
Transfers out	(865,095)	-	-
<b>Net Financing Sources (Uses)</b>	<u>(822,420)</u>	<u>9,720,000</u>	<u>865,095</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(322,300)</u>	<u>6,313,071</u>	<u>1,120,936</u>
<b>Fund Balance - Beginning</b>	3,261,372	6,089,578	2,267,208
<b>Fund Balance - Ending</b>	<u>\$ 2,939,072</u>	<u>\$ 12,402,649</u>	<u>\$ 3,388,144</u>

The accompanying notes are an integral part of these financial statements.

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<b>Total Governmental Funds</b>	
\$	17,473,051
	631,503
	4,936,841
	5,054,749
	<u>28,096,144</u>
	14,779,737
	174,639
	351,877
	2,469,645
	216,128
	488,268
	1,347,123
	1,721,532
	2,231,441
	3,669,289
	411,525
	273,546
	781,343
	723,742
	296,022
	811,255
	<u>30,747,112</u>
	<u>(2,650,968)</u>
	865,095
	9,762,675
	<u>(865,095)</u>
	9,762,675
	<u>7,111,707</u>
	11,618,158
\$	<u><u>18,729,865</u></u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008**

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**Total Net Change in Fund Balances - Governmental Funds** \$ 7,111,707

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 3,776,234	
Depreciation expense	<u>(682,410)</u>	3,093,824

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement consultancy contracts) are measured by the amounts earned during the year.

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The is the net change of these items: 40,112

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities:

Sale of general obligation bonds	(9,720,000)	
Capital lease obligations	(42,675)	

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

General obligation bonds	275,000	
Capital lease obligations	<u>21,022</u>	<u>296,022</u>

<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 778,990</u></u>	
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The accompanying notes are an integral part of these financial statements.



**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

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	<u>Scholarships</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Deposits and investments	<u>\$ 235,941</u>	<u>\$ 71,824</u>
<b>LIABILITIES</b>		
Due to student groups	<u>\$ -</u>	<u>\$ 71,824</u>
<b>NET ASSETS</b>		
Unreserved	<u>\$ 235,941</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

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	<u>Scholarships</u>
<b>ADDITIONS</b>	
Contributions	\$ 10,692
Interest	5,896
<b>Total Additions</b>	<u>16,588</u>
<b>DEDUCTIONS</b>	
Other expenditures	5,400
<b>Total Deductions</b>	<u>5,400</u>
<b>Change in Net Assets</b>	11,188
<b>Net Assets - Beginning</b>	224,753
<b>Net Assets - Ending</b>	<u><u>\$ 235,941</u></u>

The accompanying notes are an integral part of these financial statements.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Pacific Grove Unified School District was organized in 1895 under the laws of the State of California. The District operates under a locally-elected five member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, one adult education center, one continuation high school and two before and after school recreation centers.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Pacific Grove Unified School District, this includes general operations, food service, and student related activities of the District.

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

#### Other Related Entities

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with one joint powers agency and three public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 16 to the financial statements. These organizations are:

Mission Trails Regional Occupational Program (ROP)

Monterey County Schools' Insurance Group (MCSIG)

Monterey County Liability and Property, Self-Insurance Authority (MCLPSIA)

Monterey County Schools' Workers' Compensation (MCSWC)

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

**Retiree Benefits Fund** The Retiree Benefits Fund may be used pursuant to *Education Code* Section 42840 to account for amounts the District has earmarked for the future cost of retiree benefits but has not contributed irrevocably to a separate trust for the retiree benefit plan.

**Capital Project Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

