



**PACIFIC GROVE  
UNIFIED SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2009**

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**  
**OF MONTEREY COUNTY**  
**PACIFIC GROVE, CALIFORNIA**  
**JUNE 30, 2009**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mike Niccum	President	2010
Beth Shammas	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

## TABLE OF CONTENTS

JUNE 30, 2009

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### ***FINANCIAL SECTION***

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds - Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	17
Fiduciary Funds - Statement of Net Assets	18
Fiduciary Funds - Statement of Changes in Net Assets	19
Notes to Financial Statements	20

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	52
Adult Fund - Budgetary Comparison Schedule	53
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	54

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	56
Local Education Agency Organization Structure	57
Schedule of Average Daily Attendance	58
Schedule of Instructional Time	59
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	60
Schedule of Financial Trends and Analysis	61
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	63
Note to Supplementary Information	64

### ***INDEPENDENT AUDITORS' REPORTS***

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	69
Report on State Compliance	71

### ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

Summary of Auditors' Results	74
Financial Statement Findings	75
Federal Awards Findings and Questioned Costs	76
State Awards Findings and Questioned Costs	77
Summary Schedule of Prior Audit Findings	78

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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, 2009, 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 2008-09*, 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, 2009, 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.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010, 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 and other postemployment information on pages 52 through 54, 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.

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*, and 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 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.

*Varrinck, Trime, Yang & Co. LLP*

Fresno, California  
January 11, 2010



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

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

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This section of Pacific Grove Unified School District's (2008-09) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. 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 which are 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, 2009

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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, 2009

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**Governmental Funds** - All 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 the *Statement of Fiduciary Net Assets* and the *Statement of Changes in 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 \$21,365,976 for the fiscal year ended June 30, 2009, and \$21,341,861 for the fiscal year ended June 30, 2008, an increase of \$24,115. Of this amount, \$2,841,654 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, 2009**

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**Table 1**

	Governmental Activities		
	2009	2008	Variance
<b>Assets</b>			
Current and other assets	\$ 18,883,648	\$ 20,121,993	\$ (1,238,345)
Capital assets (Net of accumulated depreciation)	40,683,509	29,946,953	10,736,556
<b>Total Assets</b>	<b>59,567,157</b>	<b>50,068,946</b>	<b>9,498,211</b>
<b>Liabilities</b>			
Current liabilities	1,672,591	1,392,128	280,463
Long-term obligations	36,528,590	27,334,957	9,193,633
<b>Total Liabilities</b>	<b>38,201,181</b>	<b>28,727,085</b>	<b>9,474,096</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,441,406	2,752,668	11,688,738
Restricted	4,082,916	14,735,208	(10,652,292)
Unrestricted	2,841,654	3,853,985	(1,012,331)
<b>Total Net Assets</b>	<b>\$ 21,365,976</b>	<b>\$ 21,341,861</b>	<b>\$ 24,115</b>

The \$2,841,654 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, 2009**

**Table 2**

	Governmental Activities		
	2009	2008	Variance
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 567,826	\$ 503,970	\$ 63,856
Operating grants and contributions	4,071,686	4,443,662	(371,976)
General revenues:			
Federal and State aid not restricted	890,169	840,599	49,570
Property taxes	21,376,408	18,891,629	2,484,779
Other general revenues	3,334,444	3,416,284	(81,840)
<b>Total Revenues</b>	<b>30,240,533</b>	<b>28,096,144</b>	<b>2,144,389</b>
<b>Expenses</b>			
Instruction-related	19,899,469	18,040,821	1,858,648
Student support services	2,489,235	2,283,539	205,696
Administration	2,010,809	1,771,350	239,459
Plant services	2,471,500	2,220,033	251,467
Other	3,345,405	3,001,411	343,994
<b>Total Expenses</b>	<b>30,216,418</b>	<b>27,317,154</b>	<b>2,899,264</b>
<b>Change in Net Assets</b>	<b>\$ 24,115</b>	<b>\$ 778,990</b>	<b>\$ (754,875)</b>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$30,216,418, as compared to \$27,317,154 in the prior year. The amount that our taxpayers financed for these activities through local taxes was \$21,376,408 because the cost was paid by those who benefited from the programs (\$567,826) or by other governments and organizations who subsidized certain programs with grants and contributions (\$4,071,686). We paid for the remaining "public benefit" portion of our governmental activities with \$890,169 in State funds and \$3,334,444 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, plant services 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, 2009**

**Table 3**

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 16,345,362	\$ 13,486,075	\$ 15,024,188	\$ 11,578,696
Instruction-related activities	3,554,107	2,931,987	3,016,633	2,340,880
Home-to-school transportation	448,474	280,767	393,555	262,788
Other pupil services	2,040,761	1,620,797	1,889,984	1,393,910
General administration	2,010,809	1,658,815	1,771,350	1,771,350
Plant services	2,471,500	2,469,677	2,220,033	2,220,033
Ancillary services	358,759	358,759	411,525	411,525
Community services	309,222	309,222	273,546	273,546
Interest on long-term obligations	1,187,705	1,187,705	811,255	811,255
Other outgo	1,489,719	1,273,102	781,343	581,797
Other	-	-	723,742	723,742
<b>Total</b>	<b>\$ 30,216,418</b>	<b>\$ 25,576,906</b>	<b>\$ 27,317,154</b>	<b>\$ 22,369,522</b>

***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$17,211,057 while the prior year reported \$18,729,865, which is a decrease of \$1,518,808 (Table 4).

**Table 4**

	Balances		
	June 30, 2009	June 30, 2008	Variance
General	\$ 3,735,392	\$ 2,939,072	\$ 796,320
Adult Education	63,664	382,493	(318,829)
Cafeteria	89,512	106,805	(17,293)
Child Development	24,395	14,097	10,298
Building	10,094,366	12,402,649	(2,308,283)
Deferred Maintenance	726,103	592,961	133,142
Special Reserve Capital Outlay	104	6,599	(6,495)
Retiree Benefits	37,617	256,315	(218,698)
Bond Interest and Redemption	1,261,927	790,390	471,537
Special Reserve Capital	1,177,977	1,238,484	(60,507)
<b>Total</b>	<b>\$ 17,211,057</b>	<b>\$ 18,729,865</b>	<b>\$ (1,518,808)</b>

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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The primary reasons for these changes are:

The General Fund is the District's principal operating fund. The fund balance in the General Fund increased \$796,320 to \$3,735,392. This increase is due primarily to revenues exceeding expenditures by that amount. The decrease in the Building Fund was due to construction costs. The increase in Non-Major Funds was due to increases in various funds.

### 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 June 18, 2009. (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 52.)

- Significant revenue revisions made to the 2008-09 Budget were due to revised property tax projections and increased local revenues (primarily donations) made after the budget adoption.
- Significant expenditure increases made to the 2008-09 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, 2008, the District had \$29,946,953 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2009, the District's Capital Assets were \$40,683,509. This amount represents a net increase (including additions, deductions and depreciation) of \$10,736,556 from last year (Table 5).

**Table 5**

	Governmental Activities		
	2009	2008	Variance
Land and construction in process	\$ 3,423,395	\$ 1,790,448	\$ 1,632,947
Buildings and improvements	37,129,556	28,059,772	9,069,784
Furniture and equipment	130,558	96,733	33,825
<b>Total</b>	<b>\$ 40,683,509</b>	<b>\$ 29,946,953</b>	<b>\$ 10,736,556</b>

Several capital projects are planned for the 2009-10 year including the installation of security cameras, reconstruction of the middle school track and renovation of the Adult Education Center. We anticipate capital additions to be approximately \$2.9 million for the 2009-10 year. We present more detailed information about our capital assets in the Notes to Financial Statements.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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### Long-Term Obligations

At the end of this year, the District had \$36,528,590 in bonds outstanding versus \$26,906,000 last year, an increase of \$9,193,633. The long-term obligations of the District include the following:

**Table 6**

	Governmental Activities		
	2009	2008	Variance
General obligation bonds	\$ 36,106,000	\$ 26,906,000	\$ 9,200,000
Compensated absences	126,165	140,672	(14,507)
Capitalized lease obligations	50,946	42,509	8,437
Other postemployment benefits	65,956	-	65,956
Early retirement contracts	179,523	245,776	(66,253)
<b>Total</b>	<b>\$ 36,528,590</b>	<b>\$ 27,334,957</b>	<b>\$ 9,193,633</b>

We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-09 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 construction included completion of a new music room and auditorium improvements for the middle school 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 2009-10 year, the District Board and management used the following key assumptions in our revenue and expenditure forecasts:

1. Property tax revenues are budgeted to decrease by \$401,934.
2. No "basic aid" will be received.
3. Federal income is expected to increase by \$258,734 due to one-time Recovery Act funding.
4. The District will receive an estimated \$267,000 for the local parcel tax approved in 2008.

### ***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, 831-646-6509 or e-mail at [rblakley@pgusd.org](mailto:rblakley@pgusd.org).

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 17,260,495
Receivables	1,620,734
Stores inventory	2,419
Nondepreciable capital assets	3,423,395
Depreciable capital assets	43,139,169
Accumulated depreciation	(5,879,055)
<b>Total Assets</b>	<b>59,567,157</b>
<b>LIABILITIES</b>	
Deficit cash	152
Accounts payable	1,612,100
Deferred revenue	60,339
Current portion of long-term obligations	485,253
Noncurrent portion of long-term obligations	36,043,337
<b>Total Liabilities</b>	<b>38,201,181</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	14,441,406
Restricted for:	
Debt service	1,261,927
Capital projects	1,177,977
Educational programs	701,617
Other activities	941,395
Unrestricted	2,841,654
<b>Total Net Assets</b>	<b>\$ 21,365,976</b>

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, 2009**

<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	\$ 16,345,362	\$ 194,148	\$ 2,665,139
Instruction-related activities:			
Supervision of instruction	174,050	-	9,432
Instructional library, media and technology	412,846	-	-
School site administration	2,967,211	58,973	553,715
Pupil services:			
Home-to-school transportation	448,474	7,849	159,858
Food services	568,764	269,328	82,019
All other pupil services	1,471,997	2,001	66,616
General administration:			
Data processing	8,891	-	-
All other general administration	2,001,918	34,238	317,756
Plant services	2,471,500	1,289	534
Ancillary services	358,759	-	-
Community services	309,222	-	-
Interest on long-term obligations	1,187,705	-	-
Other outgo	1,489,719	-	216,617
<b>Total Governmental Activities</b>	<u>\$ 30,216,418</u>	<u>\$ 567,826</u>	<u>\$ 4,071,686</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
- Interagency revenues
- Miscellaneous

**Subtotal, General Revenues**

**Change in Net Assets**

Net Assets - Beginning

Net Assets - Ending

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

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**Net (Expenses)  
Revenues and  
Changes in  
Net Assets**  
**Governmental  
Activities**

\$	(13,486,075)
	(164,618)
	(412,846)
	(2,354,523)
	(280,767)
	(217,417)
	(1,403,380)
	(8,891)
	(1,649,924)
	(2,469,677)
	(358,759)
	(309,222)
	(1,187,705)
	(1,273,102)
	<u>(25,576,906)</u>
	19,157,064
	1,951,514
	267,830
	890,169
	(35,845)
	33,779
	3,336,510
	<u>25,601,021</u>
	24,115
	21,341,861
\$	<u>21,365,976</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2009**

	<b>General Fund</b>	<b>Adult Education Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 3,017,906	\$ 368,309	\$ 10,579,608
Receivables	1,274,044	248,966	23,862
Due from other funds	538,283	-	-
Stores inventory	-	-	-
<b>Total Assets</b>	<b>\$ 4,830,233</b>	<b>\$ 617,275</b>	<b>\$ 10,603,470</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Deficit cash	\$ -	\$ -	\$ -
Accounts payable	1,054,838	15,328	508,029
Due to other funds	245	538,283	1,075
Deferred revenue	39,758	-	-
<b>Total Liabilities</b>	<b>1,094,841</b>	<b>553,611</b>	<b>509,104</b>
<b>FUND BALANCES</b>			
Reserved for:			
Revolving cash	5,000	-	-
Stores inventory	-	-	-
Legally restricted balance	701,617	-	-
Unreserved:			
Designated	3,028,775	-	-
Undesignated, reported in:			
Special revenue funds	-	63,664	-
Debt service funds	-	-	-
Capital projects funds	-	-	10,094,366
<b>Total Fund Balance</b>	<b>3,735,392</b>	<b>63,664</b>	<b>10,094,366</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,830,233</b>	<b>\$ 617,275</b>	<b>\$ 10,603,470</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,294,672	\$ 17,260,495
73,862	1,620,734
1,320	539,603
2,419	2,419
<u>\$ 3,372,273</u>	<u>\$ 19,423,251</u>

\$ 152	\$ 152
33,905	1,612,100
-	539,603
20,581	60,339
<u>54,638</u>	<u>2,212,194</u>

-	5,000
2,419	2,419
-	701,617
111,488	3,140,263
763,824	827,488
1,261,927	1,261,927
1,177,977	11,272,343
<u>3,317,635</u>	<u>17,211,057</u>
<u>\$ 3,372,273</u>	<u>\$ 19,423,251</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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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>		\$17,211,057
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	\$46,562,564	
Accumulated depreciation is	<u>(5,879,055)</u>	
Total capital assets - net		40,683,509
Long-term obligations, including general obligation bonds, compensated absences, capital lease obligations and early retirement contracts are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds	(36,106,000)	
Early retirement	(179,523)	
Compensated absences	(126,165)	
Capital lease obligations	(50,946)	
Other postemployment benefits	<u>(65,956)</u>	
Total long-term obligations		<u>(36,528,590)</u>
<b>Total Net Assets - Governmental Activities</b>		<u><u>\$21,365,976</u></u>

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, 2009**

	<b>General Fund</b>	<b>Adult Education Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>			
Revenue limit sources	\$ 19,048,424	\$ -	\$ -
Federal sources	1,169,002	49,382	-
Other State sources	1,917,066	2,140,802	-
Other local sources	1,924,075	336,831	(208,179)
<b>Total Revenues</b>	<b>24,058,567</b>	<b>2,527,015</b>	<b>(208,179)</b>
<b>EXPENDITURES</b>			
Current			
Instruction	14,008,322	1,554,734	-
Instruction-related activities:			
Supervision of instruction	167,100	-	-
Instructional library, media and technology	397,928	-	-
School site administration	2,355,943	499,916	-
Pupil services:			
Home-to-school transportation	285,267	-	-
Food services	-	-	-
All other pupil services	1,389,508	16,294	-
General administration:			
All other general administration	1,410,783	263,048	-
Plant services	2,066,156	1,245	168,158
Facility acquisition and construction	-	-	11,425,311
Ancillary services	358,759	-	-
Community services	-	-	-
Other outgo	951,436	538,283	-
Debt service			
Principal	57,327	-	-
Interest and other	7,566	-	6,635
<b>Total Expenditures</b>	<b>23,456,095</b>	<b>2,873,520</b>	<b>11,600,104</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>602,472</b>	<b>(346,505)</b>	<b>(11,808,283)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	324,631	27,676	-
Other sources	604,047	-	9,500,000
Transfers out	(734,830)	-	-
<b>Net Financing Sources (Uses)</b>	<b>193,848</b>	<b>27,676</b>	<b>9,500,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>796,320</b>	<b>(318,829)</b>	<b>(2,308,283)</b>
<b>Fund Balance - Beginning</b>	<b>2,939,072</b>	<b>382,493</b>	<b>12,402,649</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,735,392</b>	<b>\$ 63,664</b>	<b>\$ 10,094,366</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 19,048,424
77,629	1,296,013
211,548	4,269,416
3,035,670	5,088,397
<u>3,324,847</u>	<u>29,702,250</u>
412,332	15,975,388
6,385	173,485
13,705	411,633
77,795	2,933,654
-	285,267
497,640	497,640
60,813	1,466,615
300,164	1,410,783
111,473	2,234,314
132,353	11,425,311
-	358,759
309,222	309,222
-	1,489,719
300,000	357,327
1,173,504	1,187,705
<u>3,395,386</u>	<u>40,516,822</u>
<u>(70,539)</u>	<u>(10,814,572)</u>
764,014	1,116,321
-	10,104,047
<u>(381,491)</u>	<u>(1,116,321)</u>
382,523	10,104,047
311,984	(1,518,808)
3,005,651	18,729,865
<u>\$ 3,317,635</u>	<u>\$ 17,211,057</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, 2009**

**Total Net Change in Fund Balances - Governmental Funds** \$ (1,518,808)  
**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	\$ 11,625,611	
Depreciation expense	<u>(889,055)</u>	10,736,556

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:

80,760

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

Sale of general obligation bonds	(9,500,000)	
Capital lease obligations	(65,764)	

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

General obligation bonds	300,000	
Capital lease obligations	<u>57,327</u>	357,327

In governmental funds, postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(65,956)

**Change in Net Assets of Governmental Activities**

\$ 24,115

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

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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	<u>Scholarships</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Deposits and investments	<u>\$ 230,257</u>	<u>\$ 72,004</u>
<b>LIABILITIES</b>		
Due to student groups	<u>\$ -</u>	<u>\$ 72,004</u>
<b>NET ASSETS</b>		
Unreserved	<u>\$ 230,257</u>	

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

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<u>Scholarships</u>
<b>ADDITIONS</b>	
Interest	\$ 3,064
<b>Total Additions</b>	<u>3,064</u>
<b>DEDUCTIONS</b>	
Other expenditures	2,198
Scholarships awarded	6,550
<b>Total Deductions</b>	<u>8,748</u>
<b>Change in Net Assets</b>	(5,684)
<b>Net Assets - Beginning</b>	235,941
<b>Net Assets - Ending</b>	<u>\$ 230,257</u>

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

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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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.

#### 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 two broad fund categories: governmental 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:

#### 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.

**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.

**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.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### 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:

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

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds category are composed of agency funds and trust funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District has a scholarship trust fund and an ASB student body agency fund.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

Investments held at June 30, 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund represent investments required by State and local agencies to be set aside by the District for the purpose of satisfying certain requirements of the Federal and State programs.

### Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis.

### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental column of the *Statement of Net Assets*.

### Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets as long-term obligations.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties and other purposes.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$4,082,916 of restricted net assets, of which \$2,783,268 is restricted by enabling legislation.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the *Statement of Activities*.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Monterey bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### Changes in Accounting Principles

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District had an annual required contribution of \$564,821 for the year ended June 30, 2009, and made a contribution of \$498,865 resulting in a net OPEB obligation of \$65,956.

### **New Accounting Pronouncements**

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 17,260,343
Fiduciary funds	302,261
Total Deposits and Investments	<u>\$ 17,562,604</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 263,844
Cash in revolving	5,000
Investments	17,293,760
Total Deposits and Investments	<u>\$ 17,562,604</u>

The Special Reserve Non-Capital Fund ended the year with a deficit cash in County Treasury balance of \$152.

#### 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.

**Investment 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.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

### 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 Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Corporate Bonds	\$ 38,417	\$ -	\$ -	\$ -	\$ 38,417
County Pool	17,255,343	17,255,343	-	-	-
Total	<u>\$ 17,293,760</u>	<u>\$ 17,255,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,417</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
Corporate Bonds	\$ 38,417	N/A	\$ -	\$ 38,417	\$ -
County Pool	17,255,343	N/A	-	-	17,255,343
Total	<u>\$ 17,293,760</u>		<u>\$ -</u>	<u>\$ 38,417</u>	<u>\$ 17,255,343</u>

N/A - Not applicable

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, none of the District's bank balance was exposed to custodial credit risk.

**Custodial Credit Risk - Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Corporate Bonds of \$38,417, the District has a custodial credit risk exposure of \$38,417 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 816,987	\$ 24,691	\$ -	\$ 11,815	\$ 853,493
State Government					
Apportionment	-	68,804	-	-	68,804
Categorical aid	229,172	155,471	-	-	384,643
Lottery	159,066	-	-	-	159,066
Other State	53,568	-	-	14,365	67,933
Local Government					
Interest	15,251	-	23,862	5,340	44,453
Other Local	-	-	-	42,342	42,342
Total	<u>\$ 1,274,044</u>	<u>\$ 248,966</u>	<u>\$ 23,862</u>	<u>\$ 73,862</u>	<u>\$ 1,620,734</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 217,496	\$ -	\$ -	\$ 217,496
Construction in process	1,572,952	11,557,664	9,924,717	3,205,899
Total Capital Assets Not Being Depreciated	1,790,448	11,557,664	9,924,717	3,423,395
Capital Assets Being Depreciated				
Buildings and improvements	32,821,933	9,924,717	-	42,746,650
Furniture and equipment	324,572	67,947	-	392,519
Total Capital Assets Being Depreciated	33,146,505	9,992,664	-	43,139,169
Less Accumulated Depreciation				
Buildings and improvements	4,762,161	854,933	-	5,617,094
Furniture and equipment	227,839	34,122	-	261,961
Total Accumulated Depreciation	4,990,000	889,055	-	5,879,055
Governmental Activities Capital Assets, Net	<u>\$ 29,946,953</u>	<u>\$ 20,661,273</u>	<u>\$ 9,924,717</u>	<u>\$ 40,683,509</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 408,965
School site administration	26,672
Home-to-school transportation	231,154
Food services	71,124
Data processing	8,891
All other general administration	17,781
Plant services	124,468
Total Depreciation Expenses Governmental Activities	<u>\$ 889,055</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2009, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 538,283	\$ 245
Adult	-	538,283
Building	-	1,075
Total Major Governmental Funds	<u>538,283</u>	<u>539,603</u>
Non-Major Governmental Funds	<u>1,320</u>	<u>-</u>
Total All Governmental Funds	<u><u>\$ 539,603</u></u>	<u><u>\$ 539,603</u></u>

**Operating Transfers**

Interfund transfers for the year ended June 30, 2009, consisted of the following:

The General Fund transferred to the Adult Fund to transfer grant funding.	\$ 27,676
The General Fund transferred to the Child Development Fund for cash flow purposes.	18,082
The General Fund transferred to the Cafeteria Fund to supplement operations.	129,000
The General Fund transferred to the Retiree Benefits Fund for future retiree benefits.	560,072
The Special Reserve Non-Capital Fund transferred to the General Fund for bus replacement costs.	6,600
The Special Reserve Capital Fund transferred to the Deferred Maintenance Fund for the District match.	56,860
The Retiree Benefits Fund transferred to the General Fund a portion of current retiree benefits costs.	<u>318,031</u>
Total	<u><u>\$ 1,116,321</u></u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 379,022	\$ 15,328	\$ 508,029	\$ 33,905	\$ 936,284
State apportionment	2,556	-	-	-	2,556
Deferred payroll	673,260	-	-	-	673,260
Total	<u>\$ 1,054,838</u>	<u>\$ 15,328</u>	<u>\$ 508,029</u>	<u>\$ 33,905</u>	<u>\$ 1,612,100</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2009, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 34,617	\$ -	\$ 34,617
State categorical aid	5,141	20,581	25,722
Total	<u>\$ 39,758</u>	<u>\$ 20,581</u>	<u>\$ 60,339</u>

**NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

At July 1, 2008, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$3,360,000, which matured on July 1, 2008. On July 1, 2008, the District issued \$3,175,000 Tax and Revenue Anticipation Notes bearing interest at 1.65 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2009. By June 2009, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2008	Additions	Payments	Outstanding June 30, 2009
July 6, 2007	3.62%	July 1, 2008	\$3,360,000	\$ -	\$ 3,360,000	\$ -
July 1, 2008	1.65%	July 6, 2009	-	3,175,000	-	3,175,000
Total			<u>\$3,360,000</u>	<u>\$3,175,000</u>	<u>\$ 3,360,000</u>	<u>\$ 3,175,000</u>

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$26,906,000	\$ 9,500,000	\$ 300,000	\$36,106,000	\$ 410,000
Compensated absences - net	140,672	-	14,507	126,165	-
Capital leases	42,509	65,764	57,327	50,946	12,207
Other postemployment benefits	-	564,821	498,865	65,956	-
Early retirement	245,776	-	66,253	179,523	63,046
Total	<u>\$27,334,957</u>	<u>\$10,130,585</u>	<u>\$ 936,952</u>	<u>\$36,528,590</u>	<u>\$ 485,253</u>

Payments on the bonds are made from the Bond Interest and Redemption Fund. Payments for compensated absences and other postemployment benefits will be made by the fund for which the employee worked. Payments on the capital leases are made from the General and Child Development Funds. Early retirement payments are made by the General Fund.

#### Bonded Debt

On January 25, 2000, the District issued \$3,000,000 of 1999 Election, Series A General Obligation Bonds. The Bonds represent a portion of the \$12,000,000 of General Obligation Bonds approved by voters within the District at an election held on November 2, 1999. The Bonds were issued to fund classroom and school facility improvements in the District. Interest on the Bonds is payable each February 1 and August 1 commencing February 1, 2001.

On April 10, 2001, the District issued \$4,000,000 of 1999 Election, Series B General Obligation Bonds. The Bonds represent a portion of the \$12,000,000 of General Obligation Bonds approved by voters within the District at an election held on November 2, 1999. The Bonds were issued to fund classroom and school facility improvements in the District. Interest on the Bonds is payable each February 1 and August 1 commencing February 1, 2002.

On March 12, 2002, the District issued \$3,000,000 of 1999 Election, Series C General Obligation Bonds. The Bonds represent a portion of the \$12,000,000 of General Obligation Bonds approved by voters within the District at an election held on November 2, 1999. The Bonds were issued to fund classroom and school facility improvements in the District. Interest on the Bonds is payable each February 1 and August 1 commencing February 1, 2003.

On February 11, 2003, the District issued \$2,000,000 of 1999 Election, Series C General Obligation Bonds. The Bonds represent the final portion of the \$12,000,000 of General Obligation Bonds approved by voters within the District at an election held on November 2, 1999. The Bonds were issued to fund classroom and school facility improvements in the District. Interest on the Bonds is payable each February 1 and August 1 commencing February 1, 2004.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

On December 16, 2005, the District issued \$3,065,000 of 2005 General Obligation Refunding Bonds. The Bonds were issued to refund a portion of the District General Obligation Bonds, 1999 Election, Series A Bonds. Interest on the Bonds is payable each February 1 and August 1 commencing August 1, 2006.

On March 21, 2007, the District issued \$6,000,000 of 2006 Election, Series A General Obligation Bonds. The Bonds represent a portion of the \$42,000,000 of General Obligation Bonds approved by more than fifty-five percent of the voters within the District at an election held on June 6, 2006. The Bonds were issued to repair and renovate schools, and build new classrooms and educational facilities in the District. Interest on the Bonds is payable each February 1 and August 1 commencing February 1, 2008.

On March 27, 2007, the District issued \$3,035,000 of 2007 General Obligation Refunding Bonds. The Bonds were issued to refund a portion of the District General Obligation Bonds, 1999 Election, Series B Bonds. Interest on the Bonds is payable each February 1 and August 1 commencing August 1, 2007.

On March 11, 2008, the District issued \$9,720,000 of 2006 Election, Series B General Obligation Bonds. The Bonds represent a portion of the \$42,000,000 of General Obligation Bonds approved by more than fifty-five percent of the voters within the District at an election held on June 6, 2006. The Bonds were issued to repair and renovate schools, and build new classrooms and educational facilities in the District. Interest on the Bonds is payable each February 1 and August 1 commencing February 1, 2009.

On April 8, 2009, the District issued \$9,500,000 of 2006 Election, Series C General Obligation Bonds. The Bonds represent a portion of the \$42,000,000 of General Obligation Bonds approved by more than fifty-five percent of the voters within the District at an election held on June 6, 2006. The Bonds were issued to repair and renovate schools, and build new classrooms and educational facilities in the District. Interest on the Bonds is payable each February 1 and August 1 commencing February 1, 2010.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding		Bonds Outstanding End of Year
				Beginning of Year	Issued	
2/1/2000	8/1/2008	4.20 - 5.0	\$ 3,000,000	\$ 65,000	\$ -	\$ -
4/25/2001	8/1/2015	3.25 - 5.1	4,000,000	835,000	-	745,000
3/26/2002	8/1/2031	2.25 - 5.0	3,000,000	2,775,000	-	2,710,000
2/26/2003	8/1/2032	3.80 - 5.0	2,000,000	1,825,000	-	1,785,000
12/16/2005	8/1/2029	3.5 - 4.625	3,065,000	2,676,000	-	2,671,000
3/21/2007	8/1/2036	3.7 - 4.150	6,000,000	6,000,000	-	5,975,000
3/27/2007	8/1/2030	3.5 - 4.20	3,035,000	3,010,000	-	3,000,000
3/11/2008	8/1/2037	2.20 - 4.30	9,720,000	9,720,000	-	9,720,000
4/8/2009	8/1/2039	5.0 - 7.0	9,500,000	-	9,500,000	9,500,000
Total				<u>\$26,906,000</u>	<u>\$9,500,000</u>	<u>\$36,106,000</u>

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### Debt Service Requirements to Maturity

1999 Series B. The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 95,000	\$ 30,275	\$ 125,275
2011	95,000	26,428	121,428
2012	100,000	22,380	122,380
2013	105,000	18,023	123,023
2014	110,000	13,345	123,345
2015-2016	240,000	11,213	251,213
Total	<u>\$ 745,000</u>	<u>\$ 121,664</u>	<u>\$ 866,664</u>

1999 Series C. The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 70,000	\$ 130,345	\$ 200,345
2011	75,000	126,395	201,395
2012	75,000	123,395	198,395
2013	80,000	120,215	200,215
2014	80,000	116,785	196,785
2015-2019	465,000	523,021	988,021
2020-2024	580,000	396,698	976,698
2025-2029	745,000	231,875	976,875
2030-2032	540,000	41,500	581,500
Total	<u>\$ 2,710,000</u>	<u>\$ 1,810,229</u>	<u>\$ 4,520,229</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

1999 Series D. The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 45,000	\$ 81,019	\$ 126,019
2011	45,000	79,106	124,106
2012	50,000	77,088	127,088
2013	50,000	75,075	125,075
2014	50,000	73,150	
2015-2019	290,000	330,163	620,163
2020-2024	355,000	258,862	613,862
2025-2029	450,000	165,525	615,525
2030-2033	450,000	44,863	494,863
Total	<u>\$ 1,785,000</u>	<u>\$ 1,184,851</u>	<u>\$ 2,846,701</u>

2005 Refunding Bonds. The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 70,000	\$ 145,233	\$ 215,233
2011	75,000	141,909	216,909
2012	81,000	138,466	219,466
2013	80,000	134,517	214,517
2014	85,000	130,542	215,542
2015-2019	511,000	580,914	1,091,914
2020-2024	674,000	416,087	1,090,087
2025-2029	880,000	221,879	1,101,879
2030	215,000	7,675	222,675
Total	<u>\$ 2,671,000</u>	<u>\$ 1,917,222</u>	<u>\$ 4,588,222</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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2006 Series A. The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 115,000	\$ 272,108	\$ 387,108
2011	120,000	263,883	383,883
2012	125,000	255,308	380,308
2013	135,000	246,208	381,208
2014	140,000	236,583	376,583
2015-2019	780,000	1,033,965	1,813,965
2020-2024	960,000	834,815	1,794,815
2025-2029	1,170,000	621,290	1,791,290
2030-2034	1,425,000	358,871	1,783,871
2035-2037	1,005,000	63,411	1,068,411
Total	<u>\$ 5,975,000</u>	<u>\$ 4,186,442</u>	<u>\$ 10,161,442</u>

2007 Refunding Bonds. The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 15,000	\$ 119,912	\$ 134,912
2011	15,000	119,387	134,387
2012	15,000	118,862	133,862
2013	15,000	118,337	133,337
2014	15,000	117,812	132,812
2015-2019	480,000	556,946	1,036,946
2020-2024	885,000	408,526	1,293,526
2025-2029	1,080,000	211,761	1,291,761
2030-2031	480,000	19,887	499,887
Total	<u>\$ 3,000,000</u>	<u>\$ 1,791,430</u>	<u>\$ 4,791,430</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

2006 Series B. The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 135,000	\$ 439,825	\$ 574,825
2011	150,000	429,850	579,850
2012	160,000	419,000	579,000
2013	180,000	407,100	587,100
2014	190,000	394,150	584,150
2015-2019	1,145,000	1,759,937	2,904,937
2020-2024	1,485,000	1,461,725	2,946,725
2025-2029	1,840,000	1,128,963	2,968,963
2030-2034	2,080,000	753,223	2,833,223
2035-2038	2,355,000	207,659	2,562,659
Total	<u>\$ 9,720,000</u>	<u>\$ 7,401,432</u>	<u>\$ 17,121,432</u>

2006 Series C - Debt Service Requirements to Maturity

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ -	\$ 380,758	\$ 380,758
2011	15,000	253,839	268,839
2012	145,000	497,760	642,760
2013	150,000	487,610	637,610
2014	160,000	477,110	637,110
2015-2019	950,000	2,237,750	3,187,750
2020-2024	1,255,000	1,983,300	3,238,300
2025-2029	1,575,000	1,639,550	3,214,550
2030-2034	2,010,000	1,198,010	3,208,010
2035-2039	2,625,000	603,075	3,228,075
2040	615,000	33,056	648,056
Total	<u>\$ 9,500,000</u>	<u>\$ 9,791,818</u>	<u>\$ 19,291,818</u>

**Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2009, amounted to \$126,165.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**Early Retirement Incentive Program**

The District has obligations for an early retirement incentive program with CalSTRS under Education Code Section 22714. The outstanding balance for the District at June 30, 2009, was \$179,523.

**Capital Leases**

The District has entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	John Deere			
	Tractor	Vehicles	Bus	Total
Balance, July 1, 2008	\$ 45,045	\$ 2,505	\$ -	\$ 47,550
Additions	-	-	67,946	67,946
Payments	(9,652)	(2,505)	(47,379)	(59,536)
Balance, June 30, 2009	<u>\$ 35,393</u>	<u>\$ -</u>	<u>\$ 20,567</u>	<u>\$ 55,960</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 13,765
2010	13,765
2011	13,765
2012	10,551
2013	4,114
Total	<u>55,960</u>
Less: Amount Representing Interest	<u>5,014</u>
Present Value of Minimum Lease Payments	<u>\$ 50,946</u>

Leased equipment under capital leases in capital assets at June 30, 2009, include the following:

Equipment	\$ 110,622
Less: Accumulated depreciation	<u>(15,330)</u>
Total	<u>\$ 95,292</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**Other Postemployment Benefit (OPEB) Obligation**

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. . The District had an annual required contribution of \$564,821 for the year ended June 30, 2009, and made a contribution of \$498,865 resulting in a net OPEB obligation of \$65,956. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefit plan.

**NOTE 10 - FUND BALANCES**

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Stores inventory	-	-	-	2,419	2,419
Restricted programs	701,617	-	-	-	701,617
Total Reserved	<u>706,617</u>	<u>-</u>	<u>-</u>	<u>2,419</u>	<u>709,036</u>
<b>Unreserved</b>					
<b>Designated</b>					
Economic uncertainties	698,975	-	-	-	698,975
Other designations	2,329,800	-	-	111,488	2,441,288
Total Designated	<u>3,028,775</u>	<u>-</u>	<u>-</u>	<u>111,488</u>	<u>3,140,263</u>
<b>Undesignated</b>					
Total Undesignated	<u>3,028,775</u>	<u>63,664</u>	<u>10,094,366</u>	<u>3,315,216</u>	<u>16,502,021</u>
Total	<u>\$ 3,735,392</u>	<u>\$ 63,664</u>	<u>\$ 10,094,366</u>	<u>\$ 3,317,635</u>	<u>\$ 17,211,057</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2009, the following District major funds exceeded the budgeted amounts as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Capital outlay	\$ 47,379	\$ 65,764	\$ 18,385
Adult Education			
Classified salaries	\$ 222,029	\$ 239,408	\$ 17,379
Other outgo	\$ 263,048	\$ 801,331	\$ 538,283

**NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Pacific Grove Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 118 retirees and beneficiaries currently receiving benefits and 219 active plan members.

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District, bargaining units, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008-09, the District contributed \$498,865 to the plan, all of which was used for current premiums (approximately 64 percent of total premiums). Plan members receiving benefits contributed \$280,260, or approximately 36 percent of the total premiums.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 564,821
Contributions made	<u>(498,865)</u>
Increase in net OPEB obligation	65,956
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ 65,956</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
<u>2009</u>	<u>\$ 564,821</u>	<u>88.32</u>	<u>\$ 65,956</u>

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# **PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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In the June 30, 2009, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. A healthcare cost trend rate of 4.0 percent per year was assumed. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2008, was 30 years.

### **NOTE 13 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2009, the District contracted with Monterey County Liability and Property Self-Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2009, the District participated in the Monterey County Schools Workers' Compensation (MCSWC), an insurance purchasing pool. The intent of the MCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the MCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MCSWC.

#### **Employee Medical Benefits**

The District has contracted with the Monterey County Schools Insurance Group (MCSIG) to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

### **NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### CalSTRS

#### Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

#### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009, was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$1,133,336, \$1,079,168, and \$1,054,107, respectively, and equal 100 percent of the required contributions for each year.

### CalPERS

#### Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The District is making their contribution in accordance with contractual agreements. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$665,876, \$601,557, and \$574,182, respectively, and equal 100 percent of the required contributions for each year.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### **Tax Deferred Annuity/Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security as its alternative plan.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$620,519 (4.517 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule* and the *Adult Fund - Budgetary Comparison Schedule*.

## **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

### **Sick Leave**

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; the certificated, management, and classified employees do gain a vested right to accumulated sick leave. In addition, certificated, management, and confidential employees are paid an incentive amount for any sick leave balance at year-end and at termination of employment, subject to a contracted sick leave incentive program. Therefore, the value of accumulated sick leave incentive payments are recognized in the District's financial statements.

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

### **Litigation**

The District is not currently a party to any legal proceedings.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**Construction Commitments**

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects - Description/Main Contractor</u>	<u>Remaining Construction Commitment - Estimate</u>	<u>Expected Completion Date</u>	<u>Funding Source</u>
Adult School Modernization - Selden & Son	\$ 780,665	2/30/10	Measure D - Capital Improvement
Security Cameras - Telemetrix	37,713	9/30/09	Measure D
Middle School Track - Monterey Peninsula Engineering	459,000	7/30/09	Measure D
Total	<u>\$ 496,713</u>		

**NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the Monterey County Schools' Insurance Group (MCSIG), Monterey County Liability and Property Self-Insurance Authority (MCLPSIA), the Monterey County Schools' Workers' Compensation (MCSWC) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has appointed one board member to the governing board of MCSIG.

During the year ended June 30, 2009, the District made payment of \$670,065 to MCSIG for medical, dental, vision, and life insurance.

The District has appointed one board member to the governing board of MCLPSIA.

During the year ended June 30, 2009, the District made payment of \$146,502 to MCLPSIA for liability and property insurance.

The District has appointed one board member to the governing board of MCSWC.

During the year ended June 30, 2009, the District made payment of \$334,510 to MCSWC for workers' compensation insurance.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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The District participates in the Mission Trails Regional Occupational Program which is operated by a joint powers agency comprised of seven high school districts within Monterey County. Pursuant to the joint powers agreement, each member district provides occupational training classes and is required to maintain separate accounts to record related transactions. Average daily attendance, which is the basis for State apportionment, is reported to the State by the district educating pupils.

Contract revenues are recognized in the General Fund as reimbursement for providing instruction to classes in the name of Mission Trails Occupational Program. Expenditures are recorded in the General Fund by object category. Fiscal 2008-2009 revenues and expenditures for the classes the District conducts are summarized as follows:

	<u>Amount</u>
Revenues	
Local	\$ 510,864
Total Revenue	<u>510,864</u>
Expenditures	
Certificated salaries	367,233
Classified salaries	16,978
Employee benefits	57,419
Books and supplies	19,994
Service and other operating expenses	11,068
Other outgo	38,172
Total Expenditures	<u>510,864</u>
Excess Expenditures Over Revenues	<u>\$ -</u>

### NOTE 17 - SUBSEQUENT EVENTS

#### Tax and Revenue Anticipation Notes

The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated July 6, 2009. The notes mature on July 6, 2010. The funds have been placed on deposit with the County Treasurer and will yield interest at the rate of the County Investment Pool. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 1, 2010, until 100 percent of principal and interest due is on account on May 1, 2010.

#### ABX4 3

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

# **PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

### **NOTE 18 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS**

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Favorable
	Original	Final		(Unfavorable) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 18,500,692	\$ 18,399,415	\$19,048,424	\$ 649,009
Federal sources	523,366	522,837	1,169,002	646,165
Other State sources	1,627,349	1,627,514	1,349,924	(277,590)
Other local sources	1,656,381	1,804,641	1,924,075	119,434
<b>Total Revenues</b> <sup>1</sup>	<u>22,307,788</u>	<u>22,354,407</u>	<u>23,491,425</u>	<u>1,137,018</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	11,512,415	11,885,605	11,866,920	18,685
Classified salaries	3,647,392	3,718,898	3,630,413	88,485
Employee benefits	2,951,314	2,942,050	2,921,063	20,987
Books and supplies	835,610	1,742,229	1,046,518	695,711
Services and operating expenditures	2,321,811	2,841,020	2,626,665	214,355
Other outgo	591,896	668,194	666,717	1,477
Debt service	-	64,893	64,893	-
Capital outlay	-	47,379	65,764	(18,385)
<b>Total Expenditures</b> <sup>1</sup>	<u>21,860,438</u>	<u>23,910,268</u>	<u>22,888,953</u>	<u>1,021,315</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>447,350</u>	<u>(1,555,861)</u>	<u>602,472</u>	<u>2,158,333</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	6,600	324,631	318,031
Other sources	-	-	604,047	604,047
Transfers out	(739,144)	(733,902)	(734,830)	(928)
<b>Net Financing Sources (Uses)</b>	<u>(739,144)</u>	<u>(727,302)</u>	<u>193,848</u>	<u>921,150</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(291,794)</u>	<u>(2,283,163)</u>	<u>796,320</u>	<u>3,079,483</u>
<b>Fund Balance - Beginning</b>	<u>2,939,072</u>	<u>2,939,072</u>	<u>2,939,072</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 2,647,278</u>	<u>\$ 655,909</u>	<u>\$ 3,735,392</u>	<u>\$ 3,079,483</u>

<sup>1</sup> On behalf payments of \$567,142 are excluded from the revenues and expenditures.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**ADULT FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>(GAAP Basis)</b>			<b>Favorable</b>
	<b>Original</b>	<b>Final</b>		<b>(Unfavorable)</b>
			<b>Final</b>	<b>to Actual</b>
<b>REVENUES</b>				
Federal sources	\$ 40,000	\$ 49,382	\$ 49,382	\$ -
Other State sources	2,198,240	2,002,814	2,089,478	86,664
Other local sources	273,420	212,716	336,831	124,115
<b>Total Revenues</b> <sup>1</sup>	<u>2,511,660</u>	<u>2,264,912</u>	<u>2,475,691</u>	<u>210,779</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	1,419,835	1,348,572	1,299,635	48,937
Classified salaries	230,018	222,029	239,408	(17,379)
Employee benefits	376,109	354,730	263,128	91,602
Books and supplies	153,392	113,896	105,800	8,096
Services and operating expenditures	110,016	129,461	112,894	16,567
Other outgo	263,048	263,048	801,331	(538,283)
<b>Total Expenditures</b> <sup>1</sup>	<u>2,552,418</u>	<u>2,431,736</u>	<u>2,822,196</u>	<u>(390,460)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<u>(40,758)</u>	<u>(166,824)</u>	<u>(346,505)</u>	<u>(179,681)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	51,000	27,676	27,676	-
<b>Net Financing Sources (Uses)</b>	<u>51,000</u>	<u>27,676</u>	<u>27,676</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	10,242	(139,148)	(318,829)	(179,681)
<b>Fund Balance - Beginning</b>	382,493	382,493	382,493	-
<b>Fund Balance - Ending</b>	<u>\$ 392,735</u>	<u>\$ 243,345</u>	<u>\$ 63,664</u>	<u>\$ (179,681)</u>

<sup>1</sup> On behalf payments of \$51,324 are excluded from the revenues and expenditures.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2009**

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
June 30, 2009	\$ -	\$ 5,439,918	\$ 5,439,918	0%	\$ 17,626,319	30.86%

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***SUPPLEMENTARY INFORMATION***

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**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the California Department of Education:			
Special Education Cluster			
Special Education - IDEA Basic Local Assistance	84.027	13379	\$ 296,360
Special Education - ARRA: IDEA Basic Local Assistance	84.391	15003	<u>67,763</u>
Subtotal - Special Education Cluster			<u>364,123</u>
Adult Education - Adult Ed Secondary Ed	84.002	13978	16,370
Adult Education - Basic Education	84.002A	14508	33,012
No Child Left Behind Act			
Title I - Basic	84.010	14329	118,691
Title II - Improving Teacher Quality	84.367	14341	75,049
Title III - Limited English Proficient	84.365	10084	10,841
Title IV - Safe and Drug Free School	84.186	14347	5,889
Vocational Education Technology Secondary	84.048	13924	<u>17,614</u>
Total U.S. Department of Education			<u>641,589</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the California Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	63,477
Basic Breakfast	10.553	13525	781
Especially Needy Breakfast	10.553	13526	<u>13,371</u>
Subtotal - Child Nutrition Cluster			<u>77,629</u>
Total U.S. Department of Agriculture			<u>77,629</u>
Total Expenditures of Federal Awards			<u>\$ 719,218</u>

See accompanying note to supplementary information.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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### ORGANIZATION

The Pacific Grove Unified School District was organized in 1895 and consists of an area comprising approximately 12 square miles. The District operates two elementary schools, one middle school, one high school, one adult education center, one continuation high school and three child care centers. There were no boundary changes during the year.

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mike Niccum	President	2010
Beth Shammas	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

See accompanying note to supplementary information.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Second Period Report</u>	<u>Annual Report</u>
<b>ELEMENTARY</b>		
Kindergarten	117.53	117.73
First through third	333.03	335.84
Fourth through sixth	334.43	336.38
Seventh and eighth	243.74	245.77
Home and hospital	0.74	1.24
Special education	38.18	38.30
Total Elementary	<u>1,067.65</u>	<u>1,075.26</u>
<b>SECONDARY</b>		
Regular classes	541.66	539.33
Continuation education	20.40	19.79
Special education	12.00	11.96
Total Secondary	<u>574.06</u>	<u>571.08</u>
Total K-12	<u>1,641.71</u>	<u>1,646.34</u>
<b>REGIONAL OCCUPATIONAL PROGRAM</b>	<u>138.03</u>	<u>132.24</u>
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	5.73	6.78
Not concurrently enrolled	871.55	838.03
Grand Total	<u>2,657.02</u>	<u>2,623.39</u>
		<u>Hours of Attendance</u>
<b>SUPPLEMENTAL INSTRUCTIONAL HOURS</b>		
Core		5,616
Retained		668
Total Hours		<u>6,284</u>

See accompanying note to supplementary information.

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2009

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,860	36,000	43,400	180	N/A	Complied
Grades 1 - 3	42,480	50,400				
Grade 1			49,690 <sup>1</sup>	180	N/A	Complied
Grade 2			52,990	180	N/A	Complied
Grade 3			52,990	180	N/A	Complied
Grades 4 - 6	53,100	54,000				
Grade 4			52,990 <sup>1</sup>	180	N/A	Complied
Grade 5			52,990 <sup>1</sup>	180	N/A	Complied
Grade 6			55,764	180	N/A	Complied
Grades 7 - 8	53,100	54,000				
Grade 7			55,764	180	N/A	Complied
Grade 8			55,764	180	N/A	Complied
Grades 9 - 12	57,525	64,800				
Grade 9			67,560	180	N/A	Complied
Grade 10			67,560	180	N/A	Complied
Grade 11			67,560	180	N/A	Complied
Grade 12			67,560	180	N/A	Complied

<sup>1</sup> The District is a Basic Aid District and is not subject to instructional time requirements, but must report their instructional minutes in the above schedule as if they were subject to those requirements. Although the District did not meet instructional time requirements for Non-Basic Aid Districts in two grade spans based on the above parameters, the District did meet those requirements using the weighted average method as follows:

	<u>Forest Grove Elementary</u>
GOAL:	
3 Grades x 50,400 minutes	151,200
2 Grades x 54,000 minutes	<u>108,000</u>
	259,200
Divide by 5 grades	<u>/5</u>
Goal minutes per grade	<u><u>51,840</u></u>
ACTUAL AVERAGE:	
1 Grade x 49,690 minutes	49,690
4 Grades x 52,990 minutes	<u>211,960</u>
	261,650
Divide by 5 grades	<u>/5</u>
Average minutes per grade	<u><u>52,330</u></u>
Excess/(Deficiency)	<u><u>490</u></u>

See accompanying note to supplementary information.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2009, Unaudited Actuals	\$ 3,980,192
Decrease in:	
Accounts receivable - ABX4 3 <sup>1</sup>	<u>(244,800)</u>
Balance, June 30, 2009, Audited Financial Statement	<u><u>\$ 3,735,392</u></u>

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<sup>1</sup> The adjustment is the ABX4 3 un-appropriated state categoricals as described in Note 17 - Subsequent Event.

See accompanying note to supplementary information.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

	(Budget) 2010 <sup>1</sup>	2009	2008	2007
GENERAL FUND				
Revenues and other financing sources	\$ 24,516,295	\$ 24,420,103	\$ 22,078,575	\$ 21,849,458
Expenditures	23,296,062	22,888,953	21,535,780	20,679,058
Other financing uses	1,764,238	734,830	865,095	755,457
Total Expenditures and Other Uses	25,060,300	23,623,783	22,400,875	21,434,515
INCREASE (DECREASE) IN FUND BALANCE	\$ (544,005)	\$ 796,320	\$ (322,300)	\$ 414,943
ENDING FUND BALANCE	\$ 3,191,387	\$ 3,735,392	\$ 2,939,072	\$ 3,261,372
AVAILABLE RESERVES <sup>2,4</sup>	\$ 1,469,626	\$ 940,776	\$ 1,360,336	\$ 1,869,196
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.9%	4.0%	6.1%	8.7%
LONG-TERM OBLIGATIONS	Not Available	\$ 36,528,590	\$ 27,334,957	\$ 17,908,416
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	1,662	1,642	1,584	1,656

The General Fund balance has increased by \$474,020 over the past two years. The fiscal year 2009-10 budget projects a decrease of \$544,005 (14.56 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2009-10 fiscal year. Total long-term obligations have increased by \$18,620,174 over the past two years primarily due to the issuance of general obligation bonds.

Average daily attendance has decreased by 14 ADA over the past two years. Growth of 20 ADA is anticipated during fiscal year 2009-10.

<sup>1</sup> Budget 2010 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund (other than capital outlay). California Education Code Section 33128.1 allows the District to include the ABX4 3 categorical accruals in their Available Reserves calculation. For the fiscal year 2008-09, \$241,697 of un-appropriated revenues have been included in the Available Reserves totals that are not reflected in the Audited Financial Statements. See Note 17 - Subsequent Events regarding the ABX4 3 state categorical accruals.

<sup>3</sup> Excludes Adult Education and ROP ADA.

<sup>4</sup> On behalf payments have been excluded from this schedule and the calculation of available reserves.

See accompanying note to supplementary information.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 30,680	\$ 75,009	\$ 724,347
Receivables	14,481	12,084	1,756
Due from other funds	-	-	-
Stores inventory	-	2,419	-
<b>Total Assets</b>	<b>\$ 45,161</b>	<b>\$ 89,512</b>	<b>\$ 726,103</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Deficit cash	\$ -	\$ -	\$ -
Accounts payable	185	-	-
Deferred revenue	20,581	-	-
<b>Total Liabilities</b>	<b>20,766</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Reserved for:			
Stores inventory	-	2,419	-
Unreserved:			
Designated	24,395	87,093	-
Undesignated, reported in:			
Special revenue funds	-	-	726,103
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total Fund Balances</b>	<b>24,395</b>	<b>89,512</b>	<b>726,103</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 45,161</b>	<b>\$ 89,512</b>	<b>\$ 726,103</b>

See accompanying note to supplementary information.

<b>Special Reserve Non-Capital Fund</b>	<b>Retiree Benefits Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 37,519	\$ 1,165,190	\$ 1,261,927	\$ 3,294,672
11	98	45,432	-	73,862
245	-	1,075	-	1,320
-	-	-	-	2,419
<u>\$ 256</u>	<u>\$ 37,617</u>	<u>\$ 1,211,697</u>	<u>\$ 1,261,927</u>	<u>\$ 3,372,273</u>
\$ 152	\$ -	\$ -	\$ -	\$ 152
-	-	33,720	-	33,905
-	-	-	-	20,581
<u>152</u>	<u>-</u>	<u>33,720</u>	<u>-</u>	<u>54,638</u>
-	-	-	-	2,419
-	-	-	-	111,488
104	37,617	-	-	763,824
-	-	-	1,261,927	1,261,927
-	-	1,177,977	-	1,177,977
<u>104</u>	<u>37,617</u>	<u>1,177,977</u>	<u>1,261,927</u>	<u>3,317,635</u>
<u>\$ 256</u>	<u>\$ 37,617</u>	<u>\$ 1,211,697</u>	<u>\$ 1,261,927</u>	<u>\$ 3,372,273</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 77,629	\$ -
Other State sources	105,056	6,125	89,556
Other local sources	322,356	267,593	(13,274)
<b>Total Revenues</b>	<b>427,412</b>	<b>351,347</b>	<b>76,282</b>
<b>EXPENDITURES</b>			
Current			
Instruction	104,302	-	-
Instruction-related activities:			
Supervision of instruction	-	-	-
Instructional library, media and technology	-	-	-
School site administration	-	-	-
Pupil Services:			
Food services	-	497,640	-
All other pupil services	-	-	-
General administration:			
All other general administration	21,672	-	-
Plant services	-	-	-
Facility acquisition and construction	-	-	-
Community services	309,222	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>435,196</b>	<b>497,640</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,784)</b>	<b>(146,293)</b>	<b>76,282</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	18,082	129,000	56,860
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>18,082</b>	<b>129,000</b>	<b>56,860</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>10,298</b>	<b>(17,293)</b>	<b>133,142</b>
<b>Fund Balance - Beginning</b>	<b>14,097</b>	<b>106,805</b>	<b>592,961</b>
<b>Fund Balance - Ending</b>	<b>\$ 24,395</b>	<b>\$ 89,512</b>	<b>\$ 726,103</b>

See accompanying note to supplementary information.

<b>Special Reserve Non-Capital Fund</b>	<b>Retiree Benefits Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 77,629
-	-	-	10,811	211,548
105	284,481	240,179	1,934,230	3,035,670
<u>105</u>	<u>284,481</u>	<u>240,179</u>	<u>1,945,041</u>	<u>3,324,847</u>
-	308,030	-	-	412,332
-	6,385	-	-	6,385
-	13,705	-	-	13,705
-	77,795	-	-	77,795
-	-	-	-	497,640
-	60,813	-	-	60,813
-	278,492	-	-	300,164
-	-	111,473	-	111,473
-	-	132,353	-	132,353
-	-	-	-	309,222
-	-	-	300,000	300,000
-	-	-	1,173,504	1,173,504
-	<u>745,220</u>	<u>243,826</u>	<u>1,473,504</u>	<u>3,395,386</u>
<u>105</u>	<u>(460,739)</u>	<u>(3,647)</u>	<u>471,537</u>	<u>(70,539)</u>
-	560,072	-	-	764,014
(6,600)	(318,031)	(56,860)	-	(381,491)
<u>(6,600)</u>	<u>242,041</u>	<u>(56,860)</u>	<u>-</u>	<u>382,523</u>
(6,495)	(218,698)	(60,507)	471,537	311,984
<u>6,599</u>	<u>256,315</u>	<u>1,238,484</u>	<u>790,390</u>	<u>3,005,651</u>
<u>\$ 104</u>	<u>\$ 37,617</u>	<u>\$ 1,177,977</u>	<u>\$ 1,261,927</u>	<u>\$ 3,317,635</u>

# PACIFIC GROVE UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending within the General Fund.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues - Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,296,013
Reconciling items:		
ARRA: State Fiscal Stabilization	84.394	<u>(576,795)</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 719,218</u></u>

#### Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### Schedule of Instructional Time

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education code Sections 46200 through 46206.

# **PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009**

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### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

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***INDEPENDENT AUDITORS' REPORTS***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Pacific Grove Unified School District  
Pacific Grove, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pacific Grove Unified School District as of and for the year ended June 30, 2009, which collectively comprise Pacific Grove Unified School District's basic financial statements and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pacific Grove Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pacific Grove Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pacific Grove Unified School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of Pacific Grove Unified School District in a separate letter dated January 11, 2010.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Varrinck, Trimp, Yang & Co. LLP*

Fresno, California  
January 11, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Pacific Grove Unified School District  
Pacific Grove, California

**Compliance**

We have audited the compliance of Pacific Grove Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Pacific Grove Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Pacific Grove Unified School District's management. Our responsibility is to express an opinion on Pacific Grove Unified School District's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Pacific Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pacific Grove Unified School District's compliance with those requirements.

In our opinion, Pacific Grove Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of Pacific Grove Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Pacific Grove Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pacific Grove Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Varrinck, Trime, Yang & Co. LLP*

Fresno, California  
January 11, 2010



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Pacific Grove Unified School District  
 Pacific Grove, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pacific Grove Unified School District as of and for the year ended June 30, 2009, and have issued our report thereon dated January 11, 2010. 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 the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Pacific Grove Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Pacific Grove Unified School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Independent study	23	No (see below)
Continuation education	10	No (see below)
Adult education	9	Not Applicable
Regional occupational centers and programs	6	No (see below)
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable <sup>1</sup>
Instructional Materials:		
General requirements	8	Yes <sup>2</sup>
K-8 only	1	Not Applicable <sup>1</sup>
9-12 only	1	Not Applicable <sup>1</sup>
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes

	Procedures in Audit Guide	Procedures Performed
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable <sup>1</sup>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

<sup>1</sup> This program is not required to be audited per flexibility provisions in SBX3 4.

<sup>2</sup> The number of procedures to be performed was reduced per flexibility provisions in SBX3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

We did not perform testing for Independent Study and Continuation Education because the ADA reported in each program was below the State recommended testing level. Additionally, we did not perform testing for regional occupational centers and programs because the program is administered by an outside agency with its own audit.

Based on our audit, we found that for the items tested, the Pacific Grove Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Pacific Grove Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Pacific Grove Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Varrinck, Trime, Yang & Co. LLP*

Fresno, California  
January 11, 2010

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.391</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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There were no audit findings reported in the prior year's schedule of financial statement findings.