

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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**2012 MEASURE L FUND  
ANNUAL FINANCIAL REPORT  
AND PERFORMANCE AUDIT**

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**FOR THE YEAR ENDED  
JUNE 30, 2015**

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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**2012 MEASURE L FUND  
ANNUAL FINANCIAL REPORT**

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**FOR THE YEAR ENDED  
JUNE 30, 2015**

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

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JUNE 30, 2015**

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***INDEPENDENT AUDITOR'S REPORT***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens' Oversight Committee  
Pajaro Valley Unified School District  
Watsonville, CA

### Report on the Financial Statements

We have audited the accompanying financial statements of the Pajaro Valley Unified School District's (the District) 2012 Measure L Fund (the Fund), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

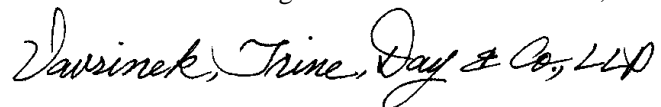
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2012 Measure L Fund of the Pajaro Valley Unified School District at June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Fund specific to the Measure L, and are not intended to present fairly the financial position and results of operations of Pajaro Valley Unified School District in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the Fund'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* in considering the Fund's internal control, over financial reporting and compliance.



Palo Alto, California  
December 14, 2015

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**BALANCE SHEET  
JUNE 30, 2015**

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**ASSETS**

Deposits and investments	\$ 56,654,655
Due from other funds	<u>92,883</u>
<b>Total Assets</b>	<u><u>\$ 56,747,538</u></u>

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Vendors payable	1,475,115
Due to other funds	<u>2,368</u>
<b>Total Liabilities</b>	<u>1,477,483</u>

**Fund Balance:**

Restricted for capital projects funds	<u>55,270,055</u>
<b>Total Fund Balance</b>	<u>55,270,055</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 56,747,538</u></u>

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

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

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**REVENUES**

Interest income	\$ 284,754
<b>Total Revenues</b>	<u>284,754</u>

**EXPENDITURES**

Current

Salaries and benefits	214,279
Services	789,590
Noncapitalized equipment	506,628

Capital outlay	10,126,947
<b>Total Expenditures</b>	<u>11,637,444</u>

<b>NET CHANGE IN FUND BALANCE</b>	(11,352,690)
<b>FUND BALANCE - BEGINNING</b>	<u>66,622,745</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 55,270,055</u>

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

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the Pajaro Valley Unified School District's (the District) 2012 Measure L Fund (the Fund) conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**Financial Reporting Entity**

The financial statements include the financial activities of the 2012 Measure L Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Bonds Election of 2012. These financial statements are not intended to present fairly the financial position and results of operations of the Pajaro Valley Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorization issuance amount of the bonds is \$150,000,000. The first series of bonds in the amount of \$80,000,000 were sold on April 11, 2013.

**Fund Accounting**

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Basis of Accounting**

The Fund is accounted for using a 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

**Deposits and Investments**

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.



**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

**Fund Balance**

As of June 30, 2015, fund balance of the Fund was classified as restricted which is defined as amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Use of Estimates**

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2015, consist of the following:

	Amortized Cost	Fair Value
Deposits with county treasurer	<u>\$ 56,654,655</u>	<u>\$ 56,488,940</u>

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**  
**2012 MEASURE L FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Investments Authorized Under Debt Agreements** - The limitations as they relate to interest rate 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

**Investment in County Treasury**

The District, including the Fund, 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.

**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 is to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of this investment is approximately \$56,488,940 with an average maturity of 453 days.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

***NOTE 3 - COMMITMENTS AND CONTINGENCIES***

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects which are partially funded by Measure L:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
AHS-Freedom Field Upgrade-Ph 1,2 and 3	\$ 414,773	Aug 2016
AHS Modernization	2,597,803	June 2017
AHS Solar	47,358	Jan 2016
AJHS New Gymnasium	3,226,393	June 2017
Bradley Modernization	1,572,800	June 2017
Bradley Solar	3,888	Jan 2016
Mar Vista - Reconfigure MPR MOD	1,189,529	Aug 2018
Mar Vista - Modernization	580,677	June 2016
Mar Vista - New MPR Building	3,787,350	Aug 2017
Rio Del Mar Modernization	1,378,098	Dec 2017
Valencia Modernization	957,368	Dec 2017
Renaissance High - Modernization	2,422,132	Aug 2017
PV High Upper Fields	10,326,606	Aug 2016
PV High New Auditorium	3,132,220	Aug 2016
PV High Solor	2,552,110	Aug 2019
Cesar Chavez MS Modernization	1,386,995	Dec 2016
Lakeview MS Modernization	1,155,164	Dec 2016
RHMS Gym Modernization	317,931	Aug 2018
RHMS - Modernization	1,999,207	Aug 2017
RHMS Solar	24,897	Jan 2016
Amesti Modernization	2,059,713	Aug 2018
Ann Soldo Modernization	1,020,875	Aug 2018
Calabasas Modernization	1,429,671	Aug 2018
Freedom Modernization	1,549,604	Aug 2017
HA Hyde Modernization	2,061,673	Aug 2017
Radcliff Modernization	1,240,548	Sept 2017
Starlight Modernization	1,519,583	Aug 2018
Alianza Fire Hydrant and Water Tank	899,469	Apr 2017
Alianza Modernization	2,475,966	Aug 2018
WCSA Modernization	2,295,079	Aug 2017

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Landmark Modernization	485,689	Aug 2017
WHS C and F Wing Modernization	3,581,500	Aug 2019
WHS 2-Story Classroom Addition	640,152	Mar 2016
WHS Solar	8,531	Jan 2016
PMS Modernization	69,969	Jan 2016
EA Hall A Wing Modernization	18,619	Aug 2019
EA Hall Track and Field Replacement	2,805,386	Aug 2017
EA Hall 9-Relocatable Replacement	41,851	Jan 2016
Hall District Modernization	401,097	Aug 2017
MacQuiddy Modernization	1,528,457	Aug 2017
Ohlone Modernization	1,485,726	Jan 2018
Mintie White Other Modernization	275,058	Jan 2017
Linscott Modernization	2,232,093	Jan 2017
	<u>\$ 69,199,608</u>	

**Litigation**

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

**NOTE 4 - GENERAL LONG-TERM DEBT**

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Position in the Government-Wide financial statements of the Pajaro Valley Unified School District.

The following provides information on the outstanding general obligation bonds:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding	
				June 30, 2014	Accreted	Redeemed	June 30, 2015	
2013	2048	3.00%-5.00%	\$ 68,540,000	\$ 68,540,000	\$ -	\$ 3,330,000	\$ 65,210,000	
2013	2038	0.63%-5.12%	11,460,000	11,460,000	-	15,000	11,445,000	
				<u>\$ 80,000,000</u>	<u>\$ -</u>	<u>\$ 3,345,000</u>	<u>\$ 76,655,000</u>	

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**  
**2012 MEASURE L FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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In accordance with the ballot language, a portion of the Election 2012, Series A General Obligation Bonds was used to refund the existing 2002 and 2005 certificates of participation in the amount of \$1,269,323 and \$1,205,000, respectively.

Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be recorded in a separate Bond Interest and Redemption Fund (BIR). The required debt service payments on the bonds will be disbursed from the BIR as well. The BIR will be maintained by the Santa Cruz County Controller's Office. The BIR is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

The bonds mature through 2048 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 915,000	\$ 3,536,262	\$ 4,451,262
2017	1,075,000	3,502,311	4,577,311
2018	85,000	3,480,959	3,565,959
2019	110,000	3,479,207	3,589,207
2020	140,000	3,476,545	3,616,545
2021-2025	1,185,000	17,297,805	18,482,805
2026-2030	2,605,000	16,942,579	19,547,579
2031-2035	7,360,000	15,797,592	23,157,592
2036-2040	14,985,000	13,040,452	28,025,452
2041-2045	25,910,000	8,021,375	33,931,375
2046-2048	22,285,000	1,473,369	23,758,369
Total	<u>\$ 76,655,000</u>	<u>\$ 90,048,457</u>	<u>\$ 166,703,457</u>

**NOTE 5 - SUBSEQUENT EVENTS**

Management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet dated December 14, 2015 which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

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***INDEPENDENT AUDITOR'S REPORT***

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**INDEPENDENT AUDITOR'S 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 and  
Citizens' Oversight Committee  
Pajaro Valley Unified School District  
Watsonville, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Pajaro Valley Unified School District's (the District) 2012 Measure L Fund (the Fund), as of and for the year ended June 30, 2015, and have issued our report thereon dated December 14, 2015

As discussed in Note 1, the financial statements present only the Fund specific to 2012 Measure L, and are not intended to present fairly the financial position and results of operations of Pajaro Valley Unified School District in conformity with accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fund'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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund'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 Standard*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Davinek, Trine, Day & Co., LLP". The signature is written in a cursive, flowing style.

Palo Alto, California  
December 14, 2015

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

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**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2015**

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None reported.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

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

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**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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**2012 MEASURE L FUND  
PERFORMANCE AUDIT**

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**FOR THE YEAR ENDED  
JUNE 30, 2015**

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and  
Citizens' Oversight Committee  
Pajaro Valley Unified School District  
Watsonville, CA

We were engaged to conduct a performance audit of the Pajaro Valley Unified School District (the District), 2012 Measure L Fund (the Fund) for the year ended June 30, 2015.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

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

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

The results of our tests indicated that the District expended 2012 Measure L Funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Palo Alto, California  
December 14, 2015



# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT 2012 MEASURE L FUND**

**JUNE 30, 2015**

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## ***AUTHORITY FOR ISSUANCE***

The 2012 Measure L Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of Santa Cruz and Monterey Counties, pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on February 27, 2013.

The District received authorization at an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$150,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization). The Bonds represent the first and second series of the authorized bonds to be issued under the 2012 Authorization.

## ***PURPOSE OF ISSUANCE***

The Tax-Exempt Bonds are being issued to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, (ii) fund a portion of interest payments on the Tax-Exempt Bonds, (iii) prepay all of (a) the District's outstanding Certificates of Participation (2005 Financing Project) and (b) the District's remaining lease payments under a Fixed Rate Real Property Lease/Purchase Agreement dated as of January 4, 2010 between the District and the Pajaro Valley Unified School District Financing corporation, and (iv) pay the costs of issuing the Tax-Exempt Bonds.

The Taxable Bonds are being issued to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, (ii) finance endowments for voter-approved technology upgrades and small repairs, and (iii) pay the costs of issuing the Taxable Bonds.

## ***AUTHORITY FOR THE AUDIT***

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

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **2012 MEASURE L FUND**

**JUNE 30, 2015**

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4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### ***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of 2012 Measure L.
2. Determine whether salary transactions, charged to the Fund were in support of 2012 Measure L and not for District general administration or operations.

### ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2014 to June 30, 2015. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2015, were not reviewed or included within the scope of our audit or in this report.

### ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1, 2014 through June 30, 2015, for the Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and 2012 Measure L's approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2014 and ending June 30, 2015, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included 42 transactions totaling \$8,017,792. This represents 69 percent of the total expenditures of \$11,637,444.
3. We verified that funds from the 2012 Measure L Fund were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

### ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the Pajaro Valley Unified School District has properly accounted for the expenditures held in the 2012 Measure L Fund and that such expenditures were made for authorized Bond projects.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

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None reported.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT  
2012 MEASURE L FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

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