

PACIFIC ELEMENTARY SCHOOL DISTRICT  
COUNTY OF SANTA CRUZ  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
FINANCIAL AND PERFORMANCE AUDIT REPORT  
BOND BUILDING FUND (MEASURE I AND MEASURE J)  
JUNE 30, 2025



**PACIFIC ELEMENTARY SCHOOL DISTRICT**  
**BOND BUILDING FUND (MEASURE I AND MEASURE J)**  
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**JUNE 30, 2025**

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**FINANCIAL AUDIT OF BOND BUILDING FUND  
(MEASURE I AND MEASURE J)**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Measure I and Measure J Citizens' Bond Oversight Committee  
Pacific Elementary School District  
Davenport, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Pacific Elementary School District (the "District"), Bond Building Fund (Measure I and Measure J), as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Building Fund (Measure I and Measure J) of the District as of June 30, 2025, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As discussed in Note 1, the financial statements present only the Bond Building Fund specific to Measure I and Measure J, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the District's Bond Building Fund (Measure I and Measure J) 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 solely 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 effectiveness of the District's Bond Building Fund (Measure I and Measure J) 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 District's Bond Building Fund (Measure I and Measure J) internal control over financial reporting and compliance.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated December 15, 2025, on our consideration of the Measure I and Measure J General Obligation Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure I and Measure J Bond Building Fund for the fiscal year ended June 30, 2025, and should be considered in assessing the results of our financial audit.

*Harshmal & Company LLP*

San Diego, California  
December 15, 2025

## **BASIC FINANCIAL STATEMENTS**

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
BOND BUILDING FUND (MEASURE I AND MEASURE J)  
BALANCE SHEET  
JUNE 30, 2025**

**ASSETS**

Cash and cash equivalents	\$ 105,717
Total assets	<u>105,717</u>

**FUND BALANCE**

Restricted	<u>105,717</u>
Total fund balance	<u>\$ 105,717</u>

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
 BOND BUILDING FUND (MEASURE I AND MEASURE J)  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2025**

<b>REVENUES</b>	
Other local revenue	\$ 47,750
Total revenues	<u>47,750</u>
<b>EXPENDITURES</b>	
Plant services	1,289,591
Debt services	
Cost of issuance	<u>90,191</u>
Total expenditures	<u>1,379,782</u>
<i>Excess/(deficiency) of revenues over expenditures</i>	<u>(1,332,032)</u>
<b>OTHER FINANCING SOURCES</b>	
Proceeds from issuance of bonds	<u>774,754</u>
Total other financing sources	<u>774,754</u>
Net change in fund balance	<u>(557,278)</u>
Fund balance, beginning of year	764,104
<i>Restatement</i>	<u>(101,109)</u>
Fund balance, beginning of year, <i>restated</i>	<u>662,995</u>
Fund balance, end of year	<u><u>\$ 105,717</u></u>

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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

**A. General Statement**

The Pacific Elementary School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a three-member Board of Trustees (Board), elected by registered voters of the District. The District, comprised of an area in Santa Cruz County, was established in 1905, and currently serves students of Kindergarten through sixth grade.

**B. Accounting Policies**

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District complies with the policies and procedures of the Department of Education’s *California School Accounting Manual*.

**C. Reporting Entity**

The Board, elected by the public, has the authority to make decisions, appoint administrators and managers, and significantly influence operations; furthermore, it has primary accountability for fiscal matters. The District is therefore a financial reporting entity, as defined by GASB in Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District reviewed criteria to determine whether other entities with District-benefiting activities should be included within its financial reporting entity. The criteria include, but are not limited to: whether the District exercises oversight-responsibility (including financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District determined that no outside entity meets these criteria, and therefore, no agency has been included as a component unit in the District’s general-purpose financial statements. Additionally, the District is not aware of any entity that would exercise such oversight-responsibility resulting in the District being considered a component unit of that entity.

**D. Basis of Accounting**

The Basis of accounting refers to when transactions are recorded in the financial records, and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting.

Governmental funds are reported using the current financial resources measurement focus, and the modified accrual basis of accounting.

**1. Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter, for use in paying liabilities of the current fiscal year. For the District, “available” means collectable within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source.

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

***D. Basis of Accounting - Cont'd***

However, to achieve comparability of reporting among California Districts and as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to use for a specific purpose; and expenditure requirements, in which resources are provided to the District on a reimbursement basis. Under modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

**2. Unearned Revenue**

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with nonexchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

**3. Expenses/Expenditures**

Under accrual basis of accounting, expenses are recognized at the time incurred. However, 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 related fund liability is incurred, if measurable. Allocations of cost (i.e., depreciation and amortization) are not recognized on governmental fund financial statements.

***E. 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 01 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 objects and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

***F. 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 as of June 30.

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

***G. Fund Balances - Governmental Funds***

The fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purpose for which amounts can be spent. The classifications are as follows:

**Nonspendable** - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - 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.

**Committed** - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any of the purposes unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Trustees, through a formal action, has given authority to Chief Business Official to assign amounts for a specific purpose that is neither restricted nor committed.

**Unassigned** - The residual fund balance for the General Fund and all other spendable amounts.

As of June 30, 2025, fund balances are classified as follows:

	Bond Building Fund
Restricted	
Capital projects	\$ 105,717
Total	\$ 105,717

***H. Spending Order Policy***

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

***I. 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/expenses during the reporting period. Actual results could differ from those estimates.

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Cash 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) under the oversight of the County Treasurer. 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 amortized costs, which approximate 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. The Treasury is authorized to deposit cash and invest excess funds by *California Government Code Section 53648 et seq.* The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by *Government Code Section 53635*, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 inputs - quoted prices in active markets for identical assets.
- Level 2 inputs - quoted prices in active or inactive for the same or similar assets.
- Level 3 inputs - estimates using the best information available when there is little or no market.

As of June 30, 2025, the District's investments in the Santa Cruz County Investment Pool and State Investment Pools are uncategorized.

**NOTE 4 - RESTATEMENTS**

During the year ended June 30, 2025, a prior period adjustment of \$32,029 and \$69,080, respectively was made to the beginning fund balance of the Bond Building Fund balance. The adjustment was due to the fair market value change and fund balance reclassification.

	<u>Building Fund</u>
Fund balance, as previously reported on June 30, 2024	\$ 764,104
Prior period adjustment:	
Fund balance reclassification	(69,080)
Fair market value adjustment	(32,029)
Fund balance, <i>restated</i> , July 01, 2024	\$ 662,995

**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***

To the Board of Trustees  
Measure I and Measure J Citizens' Bond Oversight Committee  
Pacific Elementary School District  
Davenport, California

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 financial statements of Pacific Elementary School District (the "District") Bond Building Fund (Measure I and Measure J), as of and for the year ended June 30, 2025, and the related notes of the financial statements, and have issued our report thereon dated December 15, 2025.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Bond Building Fund specific to Measure I and Measure J, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Bond Building Fund (Measure I and Measure J)'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 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 or significant deficiency may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's Bond Building Fund (Measure I and Measure J) financial statements are free from 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 financial statements. 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*.

## **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 organization's Bond Building Fund (Measure I and Measure J) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harshmal & Company LLP*

San Diego, California  
December 15, 2025

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
BOND BUILDING FUND (MEASURE I AND MEASURE J)  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2025**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
• Noncompliance material to financial statements noted?	No

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
BOND BUILDING FUND (MEASURE I AND MEASURE J)  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

There were no audit findings reported in the prior year's Schedule of Findings and Responses.

**PERFORMANCE AUDIT OF BOND BUILDING FUND  
(MEASURE I AND MEASURE J)**

## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

To the Board of Trustees  
Measure I and Measure J Citizens' Bond Oversight Committee  
Pacific Elementary School District  
Davenport, California

We have conducted a performance audit of the Pacific Elementary School District (the "District") Bond Building Fund (Measure I and Measure J) as of and for the year ended June 30, 2025, in accordance with the standards applicable to performance audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

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

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, 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 District's internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure I and Measure J bond funds for the fiscal year ended June 30, 2025, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39 as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

*Harshwal & Company LLP*

San Diego, California  
December 15, 2025

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
PROPOSITION 39 PERFORMANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2025**

**BACKGROUND INFORMATION**

During the year ended June 30, 2024, the District issued two sets of General Obligation Bonds: The Series A-1 (Measure I), with \$540,000 issued from a \$1,300,000 authorization, and the Series A-2 (Measure J), with the full authorized amount of \$675,000 issued. Both sets of bonds were approved by voters on March 5, 2024, to improve the quality of education, modernize and upgrade outdated classrooms, restrooms, and school facilities, and replace temporary portables with permanent classrooms. These bonds are also supported by ad valorem property taxes and structured for semiannual payments starting on August 1, 2024, with provisions for early redemption.

During the year ended June 30, 2025, the District issued an additional set of General Obligation Bonds: The Series B (Measure I), with \$759,564 issued from the total \$1,300,000 authorization. These bonds were approved by voters on March 5, 2024, to fund the renovation, construction, and improvement of school facilities. The bonds are supported by ad valorem property taxes and are structured for semiannual payments beginning on August 1, 2025, with provisions for early redemption.

Pursuant to the requirements of Proposition 39 and related State legislation, the Board of Trustees of the District established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in state law, is to inform the public as of the expenditures of the proceeds of the bonds issued pursuant to the Measure I and Measure J bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually on its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure I and Measure J Bond Program have been expended only for the authorized bond projects.

**OBJECTIVES OF THE AUDIT**

The objectives of our Performance Audit were to:

- Determine the expenditures charged to the District's Measure I and Measure J General Obligation Bonds Projects.
- Determine whether expenditures charged to the Measure I and Measure J General Obligation Bond Funded Capital Outlay Projects have been made by the list approved by the voters through the approval of Measure I and Measure J in March 2025 and 2024.
- Determine compliance with specific Education Code Sections related to oversight of bond expenditures.
- Note incongruities, system weaknesses, or non-compliance with specific California Education Code sections related to bond oversight and provide recommendations for improvement.
- Provide the District Board of Trustees and the Measure I and Measure J Citizens' Bond Oversight Committee with a Performance Audit as required under the provisions of the California Constitution and Proposition 39.

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
PROPOSITION 39 PERFORMANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2025**

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal period from July 01, 2024, to June 30, 2025. 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 our audit. Expenditures incurred after June 30, 2025 were not reviewed, or included within the scope of our audit or in this report.

**PROCEDURES PERFORMED**

We obtained the general ledger, the project expenditure summary reports and other related details prepared by the District for the fiscal year ending June 30, 2025, for the General Obligation Bond Funded Capital Outlay Projects - Measure I and Measure J Bond Program. We also reviewed documentation, including the District website, for compliance with Education Code Sections 15264 and 15272 - 15286. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 Measure I and Measure J regarding the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed as being funded with the General Obligation Bonds proceeds as set out in the Measure I and Measure J election documents.
- We selected a sample of 11 expenditures for the fiscal year ending June 30, 2025, with a total value of \$1,259,664, out of the total bond fund expenditures of \$1,289,591, representing approximately 98% of the total expenditures. Supporting documentation for these samples was reviewed to ensure that the funds were properly expended on the authorized bond projects.
- We verified on a sample basis that funds from the General Obligation Bond Funded Capital Outlay Projects - Measure I and Measure J Bond Program were expended on authorized bond projects. We verified that no funds from the General Obligation Bond Funded Capital Outlay Projects - Measure I and Measure J Bond Program were expended for administrators' salaries or other operating expenditures.
- We made inquiries of District personnel to determine the status of projects required or authorized to be funded by Measure I and Measure J General Obligation Bond proceeds issued through June 30, 2025.

**CONCLUSION**

We did not identify any exceptions to the procedures performed above, in all significant respects, other than the finding noted and described in finding 2025-001 of the accompanying schedule of findings and responses. Based on the procedures performed, the School District has properly accounted for the expenditures held in the Measure I and Measure J Bond Program and that such expenditures were made for authorized bond projects. Our audit was made for the purpose set forth in the objectives section of this report and would not necessarily disclose all instances of nonperformance.

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
PROPOSITION 39 PERFORMANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2025**

**BOND PROJECT SUMMARY**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$1,660,502, through June 30, 2025, for these construction projects. Capital outlay and other financing expenditures were as follows:

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>2023-24 Actual Costs</u>	<u>2024-25 Actual Costs</u>	<u>Total Project Costs Through June 30, 2025</u>
Modernize and upgrade classrooms, restrooms and school facilities	\$ <u>1,215,000</u>	\$ <u>1,766,366</u>	\$ <u>370,911</u>	\$ <u>1,289,591</u>	\$ <u>1,660,502</u>
	\$ <u>1,215,000</u>	\$ <u>1,766,366</u>	\$ <u>370,911</u>	\$ <u>1,289,591</u>	\$ <u>1,660,502</u>

As of June 30, 2025, the remaining funds totaled \$105,864. The District plans to utilize these funds to replace internal drains and downspouts, which have experienced significant failures during recent storms. The estimated total cost for the necessary repairs and related preparation work is approximately \$106,000.

**SOURCES AND USES OF FUNDS**

<b>Sources of Funds</b>	<u>Series A-1 Bonds Measure I</u>	<u>Series B Bonds Measure I</u>	<u>Total Measure I</u>	<u>Series A-2 Bonds Measure J</u>	<u>Total Bonds</u>
Principal Amount of Bonds	\$ 540,000	\$ 759,564	\$ 1,299,564	\$ 675,000	\$ 1,974,564
Original Issue Premium	<u>40,253</u>	<u>52,654</u>	<u>92,907</u>	<u>53,126</u>	<u>146,033</u>
Total Sources	<u>\$ 580,253</u>	<u>\$ 812,218</u>	<u>\$ 1,392,471</u>	<u>\$ 728,126</u>	<u>\$ 2,120,597</u>
<b>Uses of Funds</b>					
Building Fund	\$ 465,000	\$ 684,564	\$ 1,149,564	\$ 600,000	\$ 1,749,564
Debt Service Fund	29,453	37,463	66,916	39,626	106,542
Cost of Issuance	<u>85,800</u>	<u>90,191</u>	<u>175,991</u>	<u>88,500</u>	<u>264,491</u>
Total Uses	<u>\$ 580,253</u>	<u>\$ 812,218</u>	<u>\$ 1,392,471</u>	<u>\$ 728,126</u>	<u>\$ 2,120,597</u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
BOND BUILDING FUND (MEASURE I AND MEASURE J)  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2025**

**2025-001 - Noncompliance with Education Code Requirements Related to the Citizens' Bond Oversight Committee (COC) - Repeated and Modified**

Condition

Based on our audit procedures, we noted the following exceptions:

1. Incomplete Committee Composition
  - As of the Board meeting minutes dated June 04, 2025, two required positions remained vacant—one representing a bona fide taxpayer organization and one at-large community member.

Criteria

California Education Code §15278 and subsequent sections (Proposition 39) require that:

1. The COC must consist of at least seven members, each representing designated stakeholder groups as outlined in Education Code §15282(a):
  - One member active in a business organization representing the local business community.
  - One member active in a senior citizens' organization.
  - One member active in a bona fide taxpayer organization.
  - One parent or guardian of a child enrolled in the district.
  - One parent who is also active in a parent-teacher organization.
  - Two members of the community at large.

Cause

The District cited the following reasons for the exceptions:

- The formation delay was due to the district closure during the summer months, during which administrative functions were limited.
- The incomplete committee composition resulted from the small size of the community (a village with fewer than 400 residents), making it difficult to identify qualified individuals:
  - There is no local taxpayer organization in the community of Davenport.
  - Despite outreach, there has been insufficient interest from residents to serve as at-large members.

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
 BOND BUILDING FUND (MEASURE I AND MEASURE J)  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED JUNE 30, 2025**

**2025-001 - Noncompliance with Education Code Requirements Related to the Citizens' Bond Oversight Committee (COC) - Repeated and Modified - Cont'd**

Effect

Failure to maintain the minimum required membership composition represents noncompliance with the provisions of Proposition 39 and California Education Code §§15278-15282, which were established to ensure transparency, oversight, and public trust in the expenditure of general obligation bond funds.

Auditor's Recommendation

We recommend that the District continue its proactive outreach efforts to recruit and fill the two vacant Citizens' Bond Oversight Committee (COC) positions – a bona fide taxpayer representative and an at-large community member including maintaining documentation of all recruitment attempts. Where full compliance is not feasible due to demographic limitations, the District should document all efforts and consider seeking guidance from legal counsel or the California Department of Education regarding acceptable alternatives.

Management's Response

Subsequent to the fiscal year ended June 30, 2025, and prior to issuance of the audit report dated December 15, 2025, the District completed the formation of a fully constituted Citizens' Oversight Committee in accordance with bond requirements. All required roles have now been filled, and the committee is active. The District will continue to monitor committee membership on an ongoing basis to ensure continued compliance in future periods.

<b>S. No.</b>	<b>Role</b>	<b>Name</b>
1	Business at large	Colin Hannon
2	Senior citizen	Rachael Spencer
3	Bona fide taxpayer	Brian Conner
4	Parent	Chad Herendeen
5	PTA	Joel Kauffman
6	At- large	Claudia Weaver
7	At-large	Kim Sakellis

**PACIFIC ELEMENTARY SCHOOL DISTRICT  
BOND BUILDING FUND (MEASURE I AND MEASURE J)  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

<b>Prior Year Audit Findings</b>		<b>Status</b>
2024-001	<ul style="list-style-type: none"><li>• Noncompliance with Education Code Requirements Related to the Citizens' Bond Oversight Committee (COC)</li></ul>	Repeated and Modified
2024-002	<ul style="list-style-type: none"><li>• Late Submission of Proposition 39 Performance Audit</li></ul>	Resolved