

**PAJARO VALLEY UNIFIED  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2009**



**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**  
**OF SANTA CRUZ COUNTY**  
**WATSONVILLE, CALIFORNIA**

**JUNE 30, 2009**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Leslie De Rose	President	2010
Libby Wilson	Vice President	2010
Doug Keegan	Member	2010
Karen Osmundson	Member	2012
Sandra Nichols	Member	2012
Willie Yahiro	Member	2010
Kim Turley	Member	2012

**ADMINISTRATION**

Dorma Baker	Superintendent
Mary Hart	Associate Superintendent, Business





# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Pajaro Valley Unified School District  
Watsonville, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pajaro Valley 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 Pajaro Valley Unified School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

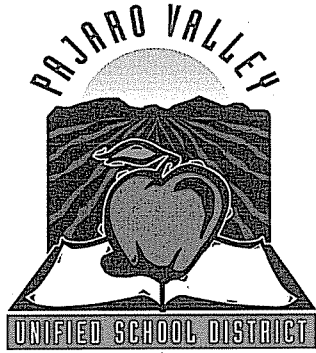
In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 and budgetary comparison and other postemployment information, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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.

Vavrinch, Trine, Day & Co. LLP

Palo Alto, California  
December 15, 2009



PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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294 Green Valley Road, Watsonville, CA 95076  
(831) 786-2100

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Pajaro Valley Unified School District's (The District) 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 Pajaro Valley 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. They present governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

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

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

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

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

The Primary unit of the government is the Pajaro Valley Unified School District. The District also has five component unit charter schools, Linscott Elementary, Watsonville School of Arts, Pacific Coast Charter School, Alianza Elementary, and Academic Vocational. The charter schools are included in the special revenue, charter school fund of the District. Separately issued financial statements for the charter schools are not prepared.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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### ***FINANCIAL HIGHLIGHTS OF THE PAST YEAR***

#### ***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, 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 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 include the District activities as follows:

**Governmental activities** - All of 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, 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.



# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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

***Proprietary funds*** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

### ***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, scholarships, employee retiree benefits. The District's fiduciary activities are reported in the Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

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### *THE DISTRICT AS A WHOLE*

#### *Net Assets*

The District's net assets were \$148.6 million and \$156 million for the fiscal years ended June 30, 2009 and 2008, respectively. Of this amount, \$.9 million and (\$0.5) million were unrestricted for fiscal years ending June 30, 2009 and 2008, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities 2009	Governmental Activities 2008
Current and other assets	\$ 66,968,166	\$ 60,474,233
Capital assets	183,547,303	191,816,278
<b>Total Assets</b>	<b>250,515,469</b>	<b>252,290,511</b>
Current liabilities	22,684,876	22,299,166
Long-term debt	79,195,939	79,109,996
<b>Total Liabilities</b>	<b>101,880,815</b>	<b>101,409,162</b>
Net assets		
Invested in capital assets, net of related debt	116,654,287	133,080,607
Restricted	31,107,932	23,552,891
Unrestricted	872,435	(572,149)
<b>Total Net Assets</b>	<b>\$ 148,634,654</b>	<b>\$ 156,061,349</b>

The \$.9 million in unrestricted deficit in net assets of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills today including all of our non-capital liabilities (compensated absences as an example), we would have \$.9 million left over.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

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### *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 and rearranges them slightly so you can see our total revenues and expenses for the year.

**TABLE 2**

	Governmental Activities 2009	Governmental Activities 2008
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,414,770	\$ 1,565,001
Operating grants and contributions	80,906,832	85,186,214
Capital grants and contributions	11,337	874,843
General revenues:		
Federal and state sources	69,972,737	69,244,898
Property taxes	54,413,840	54,238,678
Other general revenues	8,282,299	10,270,147
<b>Total Revenues</b>	<b>215,001,815</b>	<b>221,379,781</b>
<b>Expenses</b>		
Instruction related	166,521,395	174,244,742
Student support services	25,413,037	27,240,666
Administration	2,557,649	9,282,914
Maintenance and operations	18,451,061	17,992,354
Other	4,305,368	5,329,211
<b>Total Expenses</b>	<b>217,248,510</b>	<b>234,089,887</b>
<b>Change in Net Assets</b>	<b>\$ (2,246,695)</b>	<b>\$ (12,710,106)</b>

### **Governmental Activities**

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$217.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$54.4 million because \$82.3 million of the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$80.6 million in State and Federal funds and with other revenues, like interest and general entitlements.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

In Table 3, we have presented the net cost of each of the District's largest functions - (total cost less revenues generated by the 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 they believe are provided by that function.

**TABLE 3**

	Net Cost of Services 2009	Net Cost of Services 2008
Instruction and instruction related	\$ 104,799,869	\$ 108,400,719
Pupil services	10,597,278	11,030,737
General administration	(556,933)	6,468,720
Maintenance and operations	17,536,035	16,454,427
Other	2,539,322	4,109,226
<b>Totals</b>	<b>\$ 134,915,571</b>	<b>\$ 146,463,829</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$38.6 million, which is an increase of \$2.2 million from last year.

The primary reasons for these changes are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$6.7 million to \$23.3 million. The primary reason for the increase is due to Federal Stimulus Funds and freezing expenditures to build a larger reserve for the future years. In 08/09, the State of California continues its struggles with balancing the budget. This in essence continues to affect our school district, the district has made multi million dollars in expenditure cuts to mitigate the crisis.
2. Adult Education (a non major fund) reduced its fund balance by \$919K due to the districts need to sweep \$500K of the funds to support the districts mission of K-12 education under the State Fiscal Crisis. This sweeping was authorized by the State to relieve the impact on K-12 education. In addition, the state in turn reduced funding to Adult Education programs in the same manner as Regular Education.
3. The Building fund (a non major fund) has a increase in fund balance of \$2.2 million. This decrease is due to District Bond projects in process. Over the past year the existing bond projects have had some phases completed and others are well underway and expected to be complete in the 09/10 fiscal year. Each year until completion we will show a decrease in fund balance in the fund. At the end of 08/09 fiscal year, one bond project had not been started. This is the E.A. Hall Gym.
4. Our Non-Major funds decreased by \$1.3 million. The largest components of this net decrease of \$1.3 million were:
  - a. The Capital Facilities Fund decreased by \$665K due to use of the funds for modernization project matches and on-going lease payments for portables. The fees that have been collected over the

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

past year due to the National fiscal crisis and the lack of development has decreased significantly and in fact in this year barely covered the districts obligations.

- b. The County School Facilities Fund decreased by \$55K as projects in the fund are being finished. The only project outstanding and in process is the Watsonville High modernization project.
- c. Other Miscellaneous Funds (i.e.: Charter, Cafeteria, Child Development) had a net decrease of \$735K.

### General Fund Budgetary Highlights

Our original adopted budget projected an ending fund balance of \$16.1 million and our final budget projected an ending balance of \$13.0 million. Our actual ending balance at year-end was \$23.3 million, a positive variance of \$10.3 from our final budget. Actual revenues exceeded final budgeted revenues by \$7.0 million excluding on behalf payments. Actual expenditures were \$3.5 million lower than the final budgeted amounts excluding on behalf payments. Other financing sources (uses) generated a negative variance of approximately \$158,125 when comparing actual to final budget.

Our final budget revenues were \$171.2 million; however, actual revenues were \$178.2 million. The variance, \$7.0 million, is primarily due to the change in the States budget for revenue limit. After developing the district's budget for acceptance in July the State presented their budget which required districts to record higher revenue limit funds in the 08-09 year and lower revenue limits in the 09/10 year. In addition, higher categorical expenditures in grants than anticipated which in turn has the district recognize the revenue in the current year as opposed to deferring it to the subsequent year to be spent as carryover.

### **CAPITAL ASSET & DEBT ADMINISTRATION**

#### *Capital Assets*

At June 30, 2009 and 2008, the District had \$183.5 million and \$191.8 million, net of depreciation in a broad range of capital assets including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of just under \$8.3 million, or 4.3 percent, from last year.

**TABLE 4**

	Governmental Activities 2009	Governmental Activities 2008
Land	\$ 17,055,144	\$ 17,055,144
Construction in progress	840,702	57,166,180
Buildings and improvements	253,272,400	192,694,747
Equipment	4,086,270	4,006,536
Accumulated depreciation	(91,707,213)	(79,106,329)
<b>Totals</b>	<b>\$ 183,547,303</b>	<b>\$ 191,816,278</b>

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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This year's additions to capital assets of \$4.3 million are primarily from the completion of the Aptos High School Bond project (gym and water tanks) and finishing additional Watsonville High School Bond projects (tennis courts).

### Long-Term Debt

At the end of this year, the District had \$59.2 million in bonds outstanding. The District's long-term debt is summarized below.

**TABLE 5**

<i>Years ending</i>	2009	2008
Certificates of participation	\$ 2,920,000	\$ 3,015,000
General obligation bonds	59,198,722	59,446,187
Bond premium	828,017	889,129
Accumulated vacation - net	1,605,269	1,554,959
Supplemental employees retirement plan	6,004,176	8,399,208
Capital leases	1,281,437	1,693,746
Other post employment benefits	6,995,958	3,554,227
Other	362,360	557,540
<b>Totals</b>	<b>\$ 79,195,939</b>	<b>\$ 79,109,996</b>

The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries.

Other obligations include compensated absences payable, certificates of participation, capital leases and other long-term debt. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-2009 ARE NOTED BELOW:***

Even with all the turmoil with the State and National budgets the district was able to meet its financial obligations as well as continue to support the students in the district with their individual educational goals. The district was required to cut expenditures by \$14 million in 2008/2009, the task was daunting yet the Board of Trustees were able to identify these reductions and keep the district moving forward.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

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Other outstanding accomplishment of 2008/2009:

Finance monitored the budget in an ever changing environment where adjustments were the norm due to the States instability.

Maintenance and Operations maintained all 33 sites. Risk Management helped the district avoid large claims, Transportation transported 4000+ students to school each day driving 1.1 million miles, Food Service served 2.0 million breakfast and lunch meals, Technology maintained 8500+ computers connected to the network for use of office work, Student Information system, libraries, technology labs and classroom use. In addition, purchasing processed approximately 6000 purchase orders.

Accounting paid on all the purchase orders as well as reconciled and paid all credit card statements. Payroll processed pay for 4,500+ individuals equating to approximately 42,000+ checks. They also maintained the staff health and welfare accounts, worker compensation claims, section 125 applicants and retirement accounts including 403B's

Human Resources hired outstanding employees and monitored all the changes that resulted in the layoffs due to lost funding.

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

In considering the District Budget for the 2009/2010 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Projections of revenue limit income include a COLA of 4.25% with a deficit of 18.355%
2. In addition to the COLA and deficit the revenue limit contains a reduction of \$252 per student
3. State grants received an additional reduction of 4.46% excluding Special Education
4. The sweeping of most State grants in Tier III
5. The use of most of the Federal Stimulus funding
6. Developer fee collections have been reduced substantially due to a decrease in development in the surrounding area.
7. The District's ADA has been projected 100 less than prior year due to the fact Ceiba College Preparatory Academy (newest Charter School) continues to grow.
8. Employee benefits will be increased by 5%.
9. Step and Column increases are reflected.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

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

This financial report is designed to provide our citizens, taxpayers, 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 additional financial information, please contact:

Mary Hart, Associate Superintendent, Business  
294 Green Valley Road, Watsonville, CA 95076

Helen Bellonzi, Director of Fiscal Services  
294 Green Valley Road, Watsonville, CA 9507



# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Deposits and investments	\$ 38,399,155
Receivables	27,504,186
Prepaid expenses	653,548
Stores inventories	411,277
Capital assets not depreciated	17,895,846
Capital assets, net of accumulated depreciation	<u>165,651,457</u>
<b>Total Assets</b>	<u>250,515,469</u>
<b>LIABILITIES</b>	
Accounts payable	5,163,964
Interest payable	969,024
Deferred revenue	5,432,749
Claim liabilities	11,119,139
Current portion of long-term obligations	3,879,706
Noncurrent portion of long-term obligations	<u>75,316,233</u>
<b>Total Liabilities</b>	<u>101,880,815</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	109,658,329
Restricted for:	
Debt service	1,672,914
Capital projects	966,332
Special revenues	6,783,197
Self-Insurance	6,486,254
Legally restricted	15,199,235
Unrestricted	<u>7,868,393</u>
<b>Total Net Assets</b>	<u>\$ 148,634,654</u>

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

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 128,369,270	\$ 72,379	\$ 42,942,379	\$ 11,337	\$ (85,343,175)
Instruction-related activities:					
Supervision of instruction	19,492,458	10,065	16,874,164	-	(2,608,229)
Instructional library, media, and technology	3,248,130	1,744	1,093,860	-	(2,152,526)
School site administration	15,411,537	15,915	699,683	-	(14,695,939)
Pupil services:					
Home-to-school transportation	7,118,734	69,505	3,616,387	-	(3,432,842)
Food services	7,544,205	1,150,836	5,882,424	-	(510,945)
All other pupil services	10,750,098	1,913	4,094,694	-	(6,653,491)
Administration:					
Data processing	1,699,493	-	-	-	(1,699,493)
All other administration	858,156	62,971	3,051,611	-	2,256,426
Plant services	18,451,061	5,837	1,036,929	-	(17,408,295)
Ancillary services	1,020,858	209	83,587	-	(937,062)
Community services	973	-	-	-	(973)
Interest on long-term obligations	3,236,292	-	-	-	(3,236,292)
Other outgo	47,245	23,396	1,531,114	-	1,507,265
<b>Total Governmental Activities</b>	<b>\$ 217,248,510</b>	<b>\$ 1,414,770</b>	<b>\$ 80,906,832</b>	<b>\$ 11,337</b>	<b>(134,915,571)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					50,810,451
Property taxes, levied for debt service					3,348,763
Taxes levied for other specific purposes					254,626
Federal and State aid not restricted to specific purposes					69,972,737
Interest and investment earnings					305,621
Miscellaneous					7,976,678
<b>Subtotal, General Revenues</b>					<b>132,668,876</b>
<b>Change in Net Assets</b>					<b>(2,246,695)</b>
Net Assets - Beginning					150,881,349
Net Assets - Ending					<b>\$ 148,634,654</b>

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

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2009

	General Fund	Cafeteria Fund	Non Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 3,887,143	\$ 1,201,754	\$ 15,062,016	\$ 20,150,913
Receivables	25,285,325	318,675	1,732,823	27,336,823
Due from other funds	2,082,232	-	325,422	2,407,654
Prepaid expenses	652,414	1,134	-	653,548
Stores inventories	236,159	175,118	-	411,277
<b>Total Assets</b>	<b>\$32,143,273</b>	<b>\$ 1,696,681</b>	<b>\$ 17,120,261</b>	<b>\$ 50,960,215</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,076,273	\$ 37,303	\$ 1,040,155	\$ 4,153,731
Due to other funds	336,964	1,299,281	1,138,793	2,775,038
Deferred revenue	5,392,536	-	40,213	5,432,749
<b>Total Liabilities</b>	<b>8,805,773</b>	<b>1,336,584</b>	<b>2,219,161</b>	<b>12,361,518</b>
<b>Fund Balances:</b>				
Reserved for:				
Grant reservations	14,079,410	-	-	14,079,410
Other reservations	943,573	176,252	-	1,119,825
Unreserved:				
Designated	1,759,167	-	-	1,759,167
Undesignated, reported in:				
General Fund	6,555,350	-	-	6,555,350
Special revenue funds	-	183,845	6,599,352	6,783,197
Debt service funds	-	-	2,641,938	2,641,938
Capital projects funds	-	-	5,659,810	5,659,810
<b>Total Fund Balance</b>	<b>23,337,500</b>	<b>360,097</b>	<b>14,901,100</b>	<b>38,598,697</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$32,143,273</b>	<b>\$ 1,696,681</b>	<b>\$ 17,120,261</b>	<b>\$ 50,960,215</b>

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

# PAJARO VALLEY 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:

**Total Fund Balance - Governmental Funds** **\$ 38,598,697**

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	\$ 275,254,516	
Accumulated depreciation is	<u>(91,707,213)</u>	
Net Capital Assets		183,547,303

In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payment received in the current year reduces the receivable amount.

167,363

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.

(969,024)

An internal service fund is used by the District's management to charge the costs of the self insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

6,486,254

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable	59,198,722	
Unamortized bond premium	828,017	
Certificates of participation	2,920,000	
Capital leases payable	1,281,437	
Compensated absences (vacations)	1,605,269	
Supplemental employee retirement plan	6,004,176	
OPEB obligations	6,995,958	
Energy service contract	<u>362,360</u>	
Total Long-Term Liabilities		(79,195,939)
Total Net Assets - Governmental Activities		<u><u>\$ 148,634,654</u></u>

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

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Cafeteria Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Revenue limit sources	\$ 97,647,768	\$ -	\$ 7,816,931	\$ 105,464,699
Federal sources	33,452,552	5,721,035	6,350,997	45,524,584
Other State sources	47,086,633	395,413	6,971,761	54,453,807
Other local sources	3,543,566	1,219,088	4,772,675	9,535,329
<b>Total Revenues</b>	<b>181,730,519</b>	<b>7,335,536</b>	<b>25,912,364</b>	<b>214,978,419</b>
<b>EXPENDITURES</b>				
Instruction	105,463,240	-	13,626,990	119,090,230
Instruction-related activities:				
Supervision of instruction	15,914,886	-	2,128,915	18,043,801
Instructional library, media and technology	2,537,659	-	469,074	3,006,733
School site administration	10,300,450	-	3,965,719	14,266,169
Pupil services:				
Home-to-school transportation	6,589,678	-	-	6,589,678
Food services	18,745	6,944,575	20,208	6,983,528
All other pupil services	9,121,699	-	829,464	9,951,163
Administration:				
Data processing	1,575,935	-	-	1,575,935
All other administration	5,580,613	343,606	609,158	6,533,377
Plant services	14,756,996	-	1,465,305	16,222,301
Facility acquisition and construction	1,308,684	-	3,939,313	5,247,997
Ancillary services	928,193	-	14,019	942,212
Community services	900	-	-	900
Other outgo	47,245	-	-	47,245
Debt service				
Principal	643,908	-	1,349,693	1,993,601
Interest and other	91,101	-	2,197,427	2,288,528
<b>Total Expenditures</b>	<b>174,879,932</b>	<b>7,288,181</b>	<b>30,615,285</b>	<b>212,783,398</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>6,850,587</b>	<b>47,355</b>	<b>(4,702,921)</b>	<b>2,195,021</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	526,801	-	693,088	1,219,889
Transfers out	(693,088)	-	(500,000)	(1,193,088)
<b>Net Financing Sources (Uses)</b>	<b>(166,287)</b>	<b>-</b>	<b>193,088</b>	<b>26,801</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,684,300</b>	<b>47,355</b>	<b>(4,509,833)</b>	<b>2,221,822</b>
<b>Fund Balance - Beginning</b>	<b>16,653,200</b>	<b>312,742</b>	<b>19,410,933</b>	<b>36,376,875</b>
<b>Fund Balance - Ending</b>	<b>\$ 23,337,500</b>	<b>\$ 360,097</b>	<b>\$ 14,901,100</b>	<b>\$ 38,598,697</b>

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

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

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Total Net Change in Fund Balances - Governmental Funds \$ 2,221,822

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 depreciation exceed capital outlays in the period.

Depreciation expense

\$ (12,600,884)

Capital outlays

4,331,909

Net Expense Adjustment

(8,268,975)

In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payment received in the current year reduces the receivable amount and does not affect the statement of activities.

(82,775)

In the statement of activities, certain operating expenses, such as compensated absences (vacations) 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). Vacation used was less than the amounts earned by \$50,310.

(50,310)

Amortization of bond premium is a revenue source in the statement of activities, but is not recognized in the governmental funds.

61,112

Payment of capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

412,309

Payment of the principal of certificates of participation is an expenditure in the governmental funds, but reduces the long-term liabilities in the statement of net assets and does not affect the statement of activities.

95,000

Payment of the principal of general obligation bonds is an expenditure in the governmental funds, but reduces the long-term liabilities in the statement of net assets and does not affect the statement of activities.

1,230,000

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

## PAJARO VALLEY UNIFIED SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

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Payment of principal on energy service contract is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	181,180
Payment of principal on State school building loan is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	14,000
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. 34	,771
Accreted interest on capital appreciation bonds is not recorded in the governmental funds, but it increases the bond principals in the statement of net assets and increases interest expense in the statement of activities.	(982,535)
Contributions to the retiree benefit trust fund are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the statement of activities as an expense. The actual amount of the contribution was less than the annual required contribution.	(3,441,731)
Supplemental employee retirement plan payment is an expenditure in the governmental funds, but it decreases the long-term liabilities in the statement of net assets and does not affect the statement of activities.	2,395,032
An internal service fund is used by the District's management to charge the costs of the various insurance programs to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	3,934,405
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (2,246,695)</b>

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

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 18,248,242
Due from other funds	130,452
<b>Total Current Assets</b>	<u>18,378,694</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	741,643
Due to other funds	31,658
Claim liabilities	11,119,139
<b>Total Current Liabilities</b>	<u>11,892,440</u>
<b>NET ASSETS</b>	
Unrestricted	6,486,254
<b>Total Net Assets</b>	<u><u>\$ 6,486,254</u></u>

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



**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**

**IN FUND NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2009**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
In-district contributions	<u>\$ 36,715,076</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	174,950
Other operating cost	<u>32,685,091</u>
<b>Total Operating Expenses</b>	<u><b>32,860,041</b></u>
<b>Operating Income</b>	<u><b>3,855,035</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	106,171
Transfers out	<u>(26,801)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u><b>79,370</b></u>
<b>Change in Net Assets</b>	<u>3,934,405</u>
<b>Total Net Assets - Beginning</b>	<u>2,551,849</u>
<b>Total Net Assets - Ending</b>	<u><u><b>\$ 6,486,254</b></u></u>

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

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 40,924,741
Cash payments for insurance claims	(33,489,241)
Net Cash provided by Operating Activities	<u>7,435,500</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers Out	<u>(26,801)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>106,171</u>
Net increase in Cash and Cash Equivalents	7,514,870
Cash and Cash Equivalents - Beginning	10,733,372
Cash and Cash Equivalents - Ending	<u>\$ 18,248,242</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 3,855,035
Changes in assets and liabilities:	
Receivables	340,117
Due from other funds	3,869,548
Accrued liabilities	(660,858)
Due to other fund	31,658
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 7,435,500</u>

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

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

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	Retiree Benefits Trust	Scholarship Trust	Agency Funds
<b>ASSETS</b>			
Deposits and investments	\$ 2,210,269	\$ 2,050,614	\$ 651,390
Due from other funds	263,090	5,500	-
<b>Total Assets</b>	<u>2,473,359</u>	<u>2,056,114</u>	<u>\$ 651,390</u>
<b>LIABILITIES</b>			
Accounts payable	-	232,775	\$ -
Due to student groups	-	-	651,390
<b>Total Liabilities</b>	<u>-</u>	<u>232,775</u>	<u>\$ 651,390</u>
<b>NET ASSETS</b>			
Unreserved	<u>2,473,359</u>	<u>1,823,339</u>	
<b>Total Net Assets</b>	<u>\$ 2,473,359</u>	<u>\$ 1,823,339</u>	

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

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2009

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	<b>Retiree Benefits Trust</b>	<b>Scholarship Trust</b>
<b>ADDITIONS</b>		
Private donations	\$ -	\$ 172,683
District contributions	3,568,233	-
Investment income (loss)	(184,102)	37,590
<b>Total Additions</b>	<u>3,384,131</u>	<u>210,273</u>
<b>DEDUCTIONS</b>		
Benefit payments	3,176,532	-
Scholarships awarded	-	189,666
<b>Total Deductions</b>	<u>3,176,532</u>	<u>189,666</u>
<b>Change in Net Assets</b>	207,599	20,607
<b>Net Assets - Beginning</b>	<u>2,265,760</u>	<u>1,802,732</u>
<b>Net Assets - Ending</b>	<u>\$ 2,473,359</u>	<u>\$ 1,823,339</u>

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

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

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

#### **Financial Reporting Entity**

The Pajaro Valley Unified School District was unified in 1964 under the laws of the State of California. The District operates under a locally elected seven-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 sixteen elementary, six middle, three high school, two community day schools, one continuation high school, an adult education school, three childcare centers, a migrant center and five charter schools.

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 Pajaro Valley Unified School District, this includes general operations, food service, and student related activities of the District.

#### **Component Units – Charter Schools**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to operate charter schools authorized by the District.

The District has approved Charters for Academic Vocational, Alianza Elementary, Linscott Elementary, Watsonville School of Arts and Pacific Coast Charter School pursuant to Education Code Section 47605. All Charter Schools are operated by the District and their financial activities are accounted for in the charter school special revenue fund.

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with Schools Association For Excess Risk (SAFER), School Alliance for Workers' Compensation Excess II (SAWCXII), public entity risk pools Benefit Liability Excess Fund (BeLiEF) that provides insurance coverages to the District. The organization does not meet the criteria for inclusion as component unit of the District. The District also participates in the Henry J. Mello Center for the Performing Arts Administration Agency (the JPA), through a joint powers agreement with the City of Watsonville and the District. Each member's board appoints three directors. The JPA was established for the purpose of administering all functions necessary for the operation and maintenance of the Performing Arts Center (the Center). On August 2, 1994, the JPA entered into a management, operation and maintenance agreement with the Pajaro Valley Performing Arts Association (PVPAA), a tax exempt, nonprofit public benefit corporation. The agreement was for a period of ten years and has been reviewed and continued annually, whereby, PVPAA shall operate the Center and perform all services reasonably required in connection with the management and operation of the Center. PVPAA shall pay costs and operating expenses of every kind pertaining to the Center's operation by PVPAA.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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### Basis of Presentation - Fund Accounting

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

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

### 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.

**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).

### 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:

**Charter Schools Fund** This fund may be used by authorizing Districts to account separately for the activities of District-operated charter schools that would otherwise be reported in the authorizing District's General 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.

**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.

**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.

**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 general long-term debt.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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**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).

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

**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).

**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.

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* sections 17620-17626. Expenditures are restricted to the purposes specified in *Government Code* sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has only one internal service fund, which is Self-Insurance fund.

**Self-Insurance Fund** Self-Insurance funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates workers' compensations, health, dental and vision programs that are accounted for in the Self-Insurance fund.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The district's fiduciary fund category is split into three classifications: retiree benefit trust funds, private-purpose scholarship trust funds and student body agency funds. Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds are Retiree Benefits Trust and Private Purpose Scholarship Trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 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. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function and excludes 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, except for depreciation. 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 activities 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.

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.



# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 45 or 60 days. However, to achieve comparability of reporting among California districts 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 districts 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 restrictions. 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 balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met 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.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **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 and State investment pools are determined by the program sponsor.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 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.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures over the benefiting period.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$25,000. 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.

Depreciation is computed using 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.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

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### **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 financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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.

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund 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, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions 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.

### **Deferred Issuance Costs, Premiums and Discounts**

In the government-wide financial statements, long-term debt obligations and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **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, prepaid expenditures (expenses), 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.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

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### **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.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund insurance premium. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

### **Interfund Activity**

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental columns 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<sup>st</sup> 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.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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### 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 Santa Cruz bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### 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.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 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	\$20,150,913
Proprietary fund	18,248,242
Fiduciary funds	4,912,273
Total Deposits and Investments	<u>\$43,311,428</u>

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

Cash on hand and in banks	\$ 3,527,781
Cash in revolving	55,000
Investments	39,728,647
Total Deposits and Investments	<u>\$43,311,428</u>

#### 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.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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### 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

### 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. The District's investments in the county pool, U.S. Government bonds and mutual funds are not required to be rated, nor have they been rated as of June 30, 2009.

### 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.

## PAJARO VALLEY UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

Investment Type	Cost	Fair Value	Weighted Average Maturity in Years
U.S. Government	\$ 19,900	\$ 27,388	0.00
Mutual Funds	1,616,040	1,616,040	0.00
County Pool	38,092,707	38,073,661	0.57
Total	<u>\$ 39,728,647</u>	<u>\$ 39,717,089</u>	

#### 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 agencies. 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, the District's bank balance of \$2,429,318 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

#### 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. The District is exposed to custodial credit risk related to investments in the Santa Cruz County pool and the District's investments in mutual funds related to the trust fund of the retiree benefits because these investments are held by the counter party's name and not registered in the name of the District.



# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 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	Cafeteria Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 10,848,665	\$ 318,675	\$ 531,983	\$ 11,699,323
State Government				
Apportionment	10,868,105	-	605,449	11,473,554
Categorical aid	1,788,608	-	367,643	2,156,251
Lottery	1,105,895	-	75,463	1,181,358
Other Local Sources	674,052	-	152,285	826,337
Total	<u>\$ 25,285,325</u>	<u>\$ 318,675</u>	<u>\$ 1,732,823</u>	<u>\$ 27,336,823</u>

Additional long-term receivables include \$167,363 for a special education settlement with payments expected to be received annually over the next two years.

### 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
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 17,055,144	\$ -	\$ -	\$ 17,055,144
Construction in Progress	57,166,180	3,596,155	59,921,633	840,702
Total Capital Assets Not Being Depreciated	74,221,324	3,596,155	59,921,633	17,895,846
Capital Assets Being Depreciated:				
Buildings and Improvements	192,694,747	60,577,653	-	253,272,400
Furniture and Equipment	4,006,536	79,734	-	4,086,270
Total Capital Assets Being Depreciated	196,701,283	60,657,387	-	257,358,670
Less Accumulated Depreciation:				
Buildings and Improvements	76,797,583	12,249,730	-	89,047,313
Furniture and Equipment	2,308,746	351,154	-	2,659,900
Total Accumulated Depreciation	79,106,329	12,600,884	-	91,707,213
Capital Assets Being Depreciated, Net	117,594,954	48,056,503	-	165,651,457
Governmental Activities Capital Assets, Net	<u>\$ 191,816,278</u>	<u>\$ 51,652,658</u>	<u>\$ 59,921,633</u>	<u>\$ 183,547,303</u>

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

### Governmental Activities

Instruction	\$ 7,288,360
Supervision of Instruction	1,137,869
Instructional Library & Media	189,609
School Site Administration	899,646
Home to School Transportation	415,555
Food Services	440,392
All Other Pupil Services	627,535
Anciliary Services	59,417
Community Services	57
All General Administration	412,005
Data Processing Services	99,381
Plant Services	1,031,058
Total Depreciation Expense - All Activities	<u>\$ 12,600,884</u>

### 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, proprietary funds and fiduciary funds are as follows:

Due From	Due To				Total
	General Fund	Non-Major Governmental Funds	Proprietary Funds	Fiduciary Funds	
General Fund	\$ -	\$ 92,990	\$ -	\$ 243,974	\$ 336,964
Cafeteria Fund	1,294,307	45	174	4,755	1,299,281
Non-Major Governmental Funds	756,267	232,387	130,278	19,861	1,138,793
Proprietary Funds	31,658	-	-	-	31,658
Total	<u>\$ 2,082,232</u>	<u>\$ 325,422</u>	<u>\$ 130,452</u>	<u>\$ 268,590</u>	<u>\$ 2,806,696</u>

The balances are resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### Operating Transfers

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

Transfer From	Transfer To		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 693,088	\$ 693,088
Non-Major Governmental Funds	500,000	-	500,000
Internal Service Funds	26,801	-	26,801
Total	<u>\$ 526,801</u>	<u>\$ 693,088</u>	<u>\$ 1,219,889</u>

The General Fund transferred to the Charter Schools for Supplemental School Counseling Programs.	\$ 303,251
The General Fund transferred to the Adult Fund for contributions	101,160
The General Fund transferred CalSafe funds to the Child Development Fund	22,212
The General Fund transferred to the Deferred Maintenance Fund for State Match.	266,465
The Adult Fund transferred to the General Fund for allowable transfers under the State's Flexibility Options	500,000
The Self Insurance Fund transferred to the General Fund for cost reimbursement.	26,801
Total	<u>\$ 1,219,889</u>

### NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	\$ 2,080,739	\$ 28,423	\$ 555,107	\$ 2,664,269	\$ 741,643	\$ 232,775
State apportionment	56,926	-	-	56,926	-	-
Salaries and benefits	938,608	8,880	485,048	1,432,536	-	-
Total	<u>\$ 3,076,273</u>	<u>\$ 37,303</u>	<u>\$ 1,040,155</u>	<u>\$ 4,153,731</u>	<u>\$ 741,643</u>	<u>\$ 232,775</u>

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### NOTE 7 - DEFERRED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 4,041,260	\$ -	\$ 4,041,260
State categorical aid	152,542	-	152,542
Other local	1,198,734	40,213	1,238,947
Total	<u>\$ 5,392,536</u>	<u>\$ 40,213</u>	<u>\$ 5,432,749</u>

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance June 30, 2008	Accretion/ Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$59,446,187	\$ 982,535	\$1,230,000	\$ 59,198,722	\$ 1,385,000
Bond premium	889,129	-	61,112	828,017	61,112
State school building loans	14,000	-	14,000	-	-
Certificates of participation	3,015,000	-	95,000	2,920,000	100,000
Accumulated vacation - net	1,554,959	50,310	-	1,605,269	-
Capital leases	1,693,746	-	412,309	1,281,437	393,158
Energy service contract	543,540	-	181,180	362,360	181,180
Other Post Employment Benefits	3,554,227	3,441,731	-	6,995,958	-
Supplemental employees retirement benefits	8,399,208	-	2,395,032	6,004,176	1,759,256
Total	<u>\$79,109,996</u>	<u>\$ 4,474,576</u>	<u>\$4,388,633</u>	<u>\$ 79,195,939</u>	<u>\$ 3,879,706</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. Certificate of Participation payments are made by capital facilities fund. Payments on the capital leases are paid by the general fund, the charter school fund and the capital facilities funds. The state building loan and the energy service contract payments are made by the general fund. Accumulated vacation and supplemental employees retirement benefits are paid by the funds for which the employees worked.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2008	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2009
2005	2023	3-5.31%	\$ 40,215,000	\$ 38,565,000	\$ -	\$ 1,170,000	\$ 37,395,000
2005	2030	3-5.31%	18,254,288	20,881,187	982,535	60,000	21,803,722
				<u>\$ 59,446,187</u>	<u>\$ 982,535</u>	<u>\$ 1,230,000</u>	<u>\$ 59,198,722</u>

### Debt Service Requirements to Maturity

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 1,385,000	\$ 2,051,201	\$ 3,436,201
2011	1,560,000	1,990,382	3,550,382
2012	1,755,000	1,912,976	3,667,976
2013	1,970,000	1,822,251	3,792,251
2014	2,200,000	1,720,626	3,920,626
2015-2019	15,085,000	6,575,971	21,660,971
2020-2024	19,696,513	5,827,625	25,524,138
2025-2029	10,062,776	20,027,224	30,090,000
2030	1,874,998	4,790,002	6,665,000
Sub Total	<u>55,589,287</u>	<u>\$ 46,718,258</u>	<u>\$ 102,307,545</u>
Accretion to date	<u>3,609,435</u>		
Total general obligation bonds	<u>\$ 59,198,722</u>		

### State and Public School Building Loans

The Watsonville Charter School received \$70,000 in loans from the State with an interest rate of 1.61 percent. State school building loans was paid off as of June 30, 2009.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### Certificates of Participation

In October 1, 2000, the Pajaro Valley Unified School District issued certificates of participation in the amount of \$13,000,000 with interest rates ranging from 2.9 to 4.5 percent, of which \$11,000,000 was redeemed in fiscal year ending June 30, 2003. At June 30, 2009, the principal balance outstanding was \$1,450,000. During the current year the District redeemed \$35,000 of the outstanding certificates.

In April 5, 2005, the Pajaro Valley Unified School District issued certificates of participation in the amount of \$1,645,000 to finance construction related to the Adult Education Center. At June 30, 2009, the principal balance outstanding was \$1,470,000. During the current year the District redeemed \$60,000 of the outstanding certificates.

The certificates mature through 2033 as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 100,000	\$ 115,996	\$ 215,996
2011	100,000	112,614	212,614
2012	105,000	109,009	214,009
2013	110,000	105,088	215,088
2014	110,000	100,994	210,994
2015-2019	650,000	431,359	1,081,359
2020-2024	815,000	281,597	1,096,597
2025-2029	630,000	112,575	742,575
2030-2033	300,000	18,400	318,400
	<u>\$ 2,920,000</u>	<u>\$ 1,387,632</u>	<u>\$ 4,307,632</u>
Subtotal			

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$1,605,269.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	Porter Building	Bus and SIS System	VoIP	Cafeteria Portables	7 Year Portable	Total
Balance, July 1, 2008	\$ 646,571	\$ 911,150	\$ 288,300	\$ 57,292	\$ 38,709	\$ 1,942,022
Payments	92,368	204,679	144,150	14,323	38,709	494,229
Balance, July 1, 2009	<u>\$ 554,203</u>	<u>\$ 706,471</u>	<u>\$ 144,150</u>	<u>\$ 42,969</u>	<u>\$ -</u>	<u>\$ 1,447,793</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2010	\$ 455,520
2011	311,370
2012	311,370
2013	184,802
2014	92,368
2015	92,363
Total	<u>1,447,793</u>
Less: Amount Representing Interest	<u>166,356</u>
Present Value of Minimum Lease Payments	<u>\$ 1,281,437</u>

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### Energy Service Contract

The Energy Service Contract has minimum lease payments as follows:

Year Ending June 30,	Payment
2010	\$ 181,180
2011	181,180
Total	<u>\$ 362,360</u>

### Supplemental Employees Retirement Plan (SERP)

The Supplemental Employees Retirement Plan balances outstanding as of June 30, 2009, are as follows:

Year Ending June 30,	2006 Plan	2007 Plan	Total
2010	\$ 516,424	\$ 1,242,832	\$ 1,759,256
2011	516,424	1,242,832	1,759,256
2012	-	1,242,832	1,242,832
2013	-	1,242,832	1,242,832
Subtotal	<u>\$ 1,032,848</u>	<u>\$ 4,971,328</u>	<u>\$ 6,004,176</u>

### Defeased Debt

In 2005, The District defeased the 2002, Series A bond in the amount of \$39,995,542 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's Long Term Obligations. As of June 30, 2009, the amount on deposit to service the defeased debt outstanding that was removed from the Long Term Debt Obligations amounted to \$37,708,061



# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### NOTE 9 - FUND BALANCES

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Reserved				
Revolving cash	\$ 55,000	\$ -	\$ -	\$ 55,000
Stores inventory	236,159	175,118	-	411,277
Prepaid expenditures	652,414	1,134	-	653,548
Restricted programs	14,079,410	-	-	14,079,410
Total Reserved	15,022,983	176,252	-	15,199,235
Unreserved				
Designated				
Other designation	1,759,167	-	-	1,759,167
Undesignated	6,555,350	183,845	14,901,100	21,640,295
Total Unreserved	8,314,517	183,845	14,901,100	23,399,462
Total	\$ 23,337,500	\$ 360,097	\$ 14,901,100	\$ 38,598,697

### NOTE 10 - 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 Pajaro Valley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 239 retirees and beneficiaries currently receiving benefits and 2,032 active plan members. The Plan is presented in these financial statements as the Retiree Benefits Trust Fund. Separate financial statements are not prepared for the Trust.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (PVFT), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, PVFT, CSEA and the unrepresented groups. For fiscal year 2008-09, the District contributed \$2,835,897 to the plan, all of which was used for current premiums (approximately 100% percent of total premiums incurred by retirees plus one eligible dependent).

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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	\$ 5,591,273
Interest on net OPEB obligation	686,321
Annual OPEB cost (expense)	6,277,594
Contributions made	<u>2,835,863</u>
Increase in net OPEB obligation	3,441,731
Net OPEB obligation, beginning of year	<u>3,554,227</u>
Net OPEB obligation, end of year	<u>\$ 6,995,958</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, 2009	Annual Required Contribution	Amount Contributed	Percentage Contributed	Net OPEB Obligation
2009	\$ 5,591,273	\$ 2,835,863	50.72%	\$ 6,995,958

### 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, 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.

### 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.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

In the March 1, 2009, actuarial valuation, the Entry age normal actuarial cost method was used. The actuarial assumptions included a 7% 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. Healthcare, dental, and vision cost trend rates were averaged at 4% percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2009, was 28 years. The actuarial value of assets as of March 1, 2009 was \$2,473,359.

### NOTE 11 - 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 Schools Association For Excess Risk 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

The District's worker's compensation activities are recorded in the Internal Service Fund. The purpose of the fund is to administer workers' compensation on a cost reimbursement basis. The program accounts for the risk financing activities of the District.

Coverage provided by the Schools Excess Liability Fund for Excess Property and Liability and the Pajaro Valley Unified School District Worker's Compensation Self-Insurance Program is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
Pajaro Valley Unified School District Workers' Compensation Self-Insurance Program	Workers' Compensation	\$ 500,000
School Alliance Workers' Compensation Excess	Excess Workers' Compensation	State Statutory Limit
Benefit Liability Excess Fund	Excess Medical	\$ 260,000
Schools Association For Excess Risk	Excess Liability	\$ 24,000,000
Schools Association For Excess Risk	Excess Property	\$ 250,000,000

#### Claims Liabilities

The District records an estimated liability for workers' compensation, health care, dental and vision. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2007 to June 30, 2009:

Liability Balance, July 1, 2007	\$ 7,677,815
Claims and changes in estimates	37,415,921
Claims payments	(33,230,705)
Liability Balance, June 30, 2008	11,863,031
Claims and changes in estimates	33,604,022
Claims payments	(34,347,914)
Liability Balance, June 30, 2009	\$ 11,119,139
Assets available to pay claims at June 30, 2009	\$ 17,605,393

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory 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).

#### CalSTRS

##### Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits 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, 7667 Folsom Blvd., Sacramento, CA 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 \$6,424,847, \$6,831,967, \$6,589,272, respectively, and equal 100 percent of the required contributions for each year.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (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, CA 95811.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary. At Pajaro Valley Unified School District, the district contributes the 7.0 percent on their behalf. The District is required to contribute an actuarially determined rate. 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 \$2,727,014, \$2,694,851, and \$2,467,327, respectively, and equal 100 percent of the required contributions for each year.

#### **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 the Social Security as its alternative plan.

#### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$3,514,843, \$3,737,435 and \$3,604,560, respectively, for 2009, 2008 and 2007 (4.517 percent of annual payroll for 2009, 2008 and 2007, respectively). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the actual amounts reported in the General Fund Budgetary Comparison Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### 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 involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2009.

#### Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Aptos High	\$ 31,286	8/30/2010
E.A. Hall Middle School	2,290,845	4/30/2011
Aptos High	455,451	8/30/2010
Watsonville High	1,909,598	8/30/2010
	<u>\$ 4,687,180</u>	

### NOTE 14 PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Schools Association For Excess Risk (SAFER), School Alliance for Workers' Compensation Excess II (SAWCXII), Benefit Liability Excess Fund (BeLiEF) public entity risk pools. The District pays an annual premium to the applicable entity for its property and liability coverage, excess workers' compensation and excess medical insurance. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA has a 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. During the year ended June 30, 2009, the District made payments of \$290,417 to SAWCXII for excess workers' compensation insurance, \$1,545,443 to BeLiEF for excess medical insurance and \$736,570 to SAFER for excess property and liability insurance.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### NOTE 15 – SUBSEQUENT EVENT

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.

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.

The District recorded the revenue and related receivables associated with the District's portion of the categorical program balances identified in the July 2009 State Budget package. In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, because these amounts are considered to be re-appropriated to fiscal year 2009-10, these amounts were removed from State revenues and related receivables in the amount of \$4,609,282, \$920,553, \$131,192, \$251,656 and \$23,856 in the General Fund, Charter School Fund, Adult Education Fund, Child Development Fund and the Cafeteria Fund, respectively. However, the adjustment to the General Fund reduced the unrestricted fund balance by \$4,341,745 because there was \$267,537 available in fund balances in these categorical programs.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Variances-Favorable (Unfavorable)	
	(GAAP Basis)		Actual (GAAP Basis)	Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 98,365,884	\$ 92,092,146	\$ 97,647,768	\$ 5,555,622
Federal sources	20,884,745	28,230,480	33,452,552	5,222,072
Other State sources	46,367,169	47,424,941	43,571,790	(3,853,151)
Other local sources	2,082,396	3,456,937	3,543,566	86,629
<b>Total Revenues <sup>1</sup></b>	<b>167,700,194</b>	<b>171,204,504</b>	<b>178,215,676</b>	<b>7,011,172</b>
<b>EXPENDITURES</b>				
Instruction	102,342,614	103,575,085	101,948,397	1,626,688
Instruction-related activities:				
Supervision of instruction	14,409,151	17,699,314	15,914,886	1,784,428
Instructional library, media, and technology	1,684,822	2,666,585	2,537,659	128,926
School site administration	10,473,994	10,363,455	10,300,450	63,005
Pupil services:				
Home-to-school transportation	7,076,259	6,412,840	6,589,678	(176,838)
Food services	18,349	23,432	18,745	4,687
All other pupil services	9,353,077	9,027,579	9,121,699	(94,120)
Administration:				
Data processing	1,023,983	1,349,075	1,575,935	(226,860)
All other administration	5,865,286	5,725,377	5,580,613	144,764
Plant services	14,284,502	15,104,567	14,756,996	347,571
Facility acquisition and construction	232,011	1,331,456	1,308,684	22,772
Ancillary services	753,102	846,589	928,193	(81,604)
Community services	-	-	900	(900)
Other outgo	50,000	47,245	47,245	-
Debt service				
Principal	515,937	549,024	643,908	(94,884)
Interest	89,955	147,127	91,101	56,026
<b>Total Expenditures <sup>1</sup></b>	<b>168,173,042</b>	<b>174,868,750</b>	<b>171,365,089</b>	<b>3,503,661</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(472,848)</b>	<b>(3,664,246)</b>	<b>6,850,587</b>	<b>10,514,833</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	2,980,166	526,801	(2,453,365)
Transfers out	(101,160)	(2,988,328)	(693,088)	2,295,240
<b>Net Financing Sources (Uses)</b>	<b>(51,160)</b>	<b>(8,162)</b>	<b>(166,287)</b>	<b>(158,125)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(524,008)</b>	<b>(3,672,408)</b>	<b>6,684,300</b>	<b>10,356,708</b>
<b>Fund Balance - Beginning</b>	<b>16,653,200</b>	<b>16,653,200</b>	<b>16,653,200</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 16,129,192</b>	<b>\$ 12,980,792</b>	<b>\$ 23,337,500</b>	<b>\$ 10,356,708</b>

<sup>1</sup> On behalf payments of \$3,514,843 in the General Fund are excluded in the actual revenues and expenditures, but have been included in the basic financial statements.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (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	\$ 2,473,359	\$ 65,626,213	\$ 51,938,570	3.77%	\$ 114,434,798	45.39%

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***SUPPLEMENTARY INFORMATION***

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# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Adult Education Act:			
Adult Basic Education & ESL	84.002A	14508	\$ 129,437
Priority 5, Adult Secondary Education	84.002	13978	12,695
English Literacy & Civics Education	84.002A	14109	74,632
No Child Left Behind Act:			
Title I-Basic Grants Low-Income and Neglected	84.010	14329	4,245,165
Title I- Part A, Program Improvement LEA Corrective Action, Extensive Performance Problems	84.010	14955	415,949
Title I-Reading First Program	84.357	14328	1,133,106
Title I-Migrant Ed (Regular and Summer Program)	84.011	14326	5,027,137
Title I-Even Start Migrant Ed	84.214	14768	298,139
Title II-Teacher Quality	84.367	14341	1,142,735
Title II-Enhancing Education Through Technology			
Formula Grants	84.318	14334	16,505
Competitive Grants	84.318	14368	234,031
Title II-CA Mathematics and Science Partnerships	84.366	14512	581,180
Title III-Limited English Proficiency Student	84.365	10084	1,176,860
Title IV-Drug-Free Schools	84.186	14347	80,798
Title IV-21st Century Community Centers Learning	84.287	14535	2,878,881
Title V-Innovative Education Strategies	84.298A	14354	33,745
Title X McKinney-Vento Homeless Assistance	84.196	14332	130,000
Safe and Drug Free Schools	84.186	14378	2,145,758
LEA	84.000	<sup>1</sup>	319,313
Individuals with Disability Act:			
Basic Local Assistance Entitlement	84.027	13379	3,288,677
Preschool Grants	84.173	13430	181,132
Preschool Local Entitlement	84.027A	13682	345,842
Preschool Staff Development	84.173A	13431	1,218
Early Intervention Grants	84.181	23761	246,523
Workability II	84.158	10006	202,019
California Preschool Instructional Network	84.173	14530	7,247
ARRA: Basic Assistance	84.391	15003	768,243
Title III-Bilingual Education Discretionary Grants	84.290	10008	119,993
Vocational Programs (Carl Perkins Act)			
Vocational and Applied Sex Bias	84.048	13923	14,354
Vocational and Applied Tech Secondary	84.048	13924	138,984
Subtotal			<u>25,390,298</u>

See accompanying note to supplementary information.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Education:			
Child Development			
School-Age Child Care Resource Contracts	93.575	13941	2,025
Head Start	93.600	10016	6,124,961
Medi-Cal Billing Option	93.778	10013	384,788
Subtotal			<u>6,511,774</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education:			
Child Nutrition Act:			
National School Lunch Program	10.555	13396	4,317,628
National School Breakfast	10.553	13390	3,082
Meal Supplements	10.553	13390	442,622
Especially Needy Breakfast	10.553	13526	673,084
Child and Adult Care Food Program	10.558	23165	214,936
Fresh Fruits and Vegetables	10.558	14968	69,677
Commodity grants at fair market value <sup>2</sup>	10.555	13396	303,195
Subtotal			<u>6,024,224</u>
Total Expenditures of Federal Awards			<u><u>\$37,926,296</u></u>

<sup>1</sup> Pass-Through Entity Identifying Number not available

<sup>2</sup> Not recorded in the financial statements

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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### ORGANIZATION

The Pajaro Valley Unified School District was established in 1964 and consists of an area comprising approximately 150 square miles. The District operates sixteen elementary, six middle, three high schools, two community day school, one continuation high school, an adult education school, three childcare centers, a migrant center and five charter schools.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Leslie De Rose	President	2010
Libby Wilson	Vice President	2010
Doug Keegan	Member	2010
Karen Osmundson	Member	2012
Sandra Nichols	Member	2012
Willie Yahiro	Member	2010
Kim Turley	Member	2012

### ADMINISTRATION

Dorma Baker	Superintendent
Mary Hart	Associate Superintendent, Business

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	1,420	1,420
First through third	4,085	4,084
Fourth through sixth	3,743	3,749
Seventh and eighth	2,447	2,443
Home and hospital	4	4
Special education	299	302
Total Elementary	11,998	12,002
<b>SECONDARY</b>		
Regular classes	4,626	4,579
Continuation education	170	173
Home and hospital	2	2
Community day schools	72	64
Special education	164	164
Total Secondary	5,034	4,982
Total K-12	17,032	16,984
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	9	9
Not concurrently enrolled	1,170	1,131
Adults in correctional facilities	45	41
Total Classes for Adults	1,224	1,181
<b>CHARTER SCHOOL</b>		
Classroom based	1,432	1,430
Non-classroom based	89	88
Total Charter Schools	1,521	1,518
Grand Total	19,777	19,683
<b>SUMMER SCHOOL</b>		Hours of Attendance
Elementary		737,307
High school		234,815
Total Hours		972,122

See accompanying note to supplementary information.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2008-2009 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,500	36,000	36,000	180	In Compliance
Grades 1 - 3					
Grade 1	42,000	50,400	50,520	180	In Compliance
Grade 2	42,000	50,400	50,520	180	In Compliance
Grade 3	42,000	50,400	50,520	180	In Compliance
Grades 4 - 6					
Grade 4	52,500	54,000	54,068	180	In Compliance
Grade 5	52,500	54,000	54,068	180	In Compliance
Grade 6	52,500	54,000	54,068	180	In Compliance
Grades 7 - 8					
Grade 7	52,500	54,000	55,800	180	In Compliance
Grade 8	52,500	54,000	55,800	180	In Compliance
Grades 9 - 12					
Grade 9	64,800	64,800	65,134	180	In Compliance
Grade 10	64,800	64,800	65,134	180	In Compliance
Grade 11	64,800	64,800	65,134	180	In Compliance
Grade 12	64,800	64,800	65,134	180	In Compliance

See accompanying note to supplementary information.



# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements. With regards to the adjustments to State Categorical Receivables, the District recorded the revenue and related receivable associated with its portion of the 2008-09 un-liquidated categorical program. These balances were identified in the 2009-10 State budget as an over apportionment that will be reduced from the District's revenue limit calculation for 2010 fiscal year. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenues and the related receivable have been included in these financial statements. See Note 15, Subsequent Events.

	<b>General Fund</b>	<b>Charter Schools Fund</b>	<b>Adult Education Fund</b>
<b>FUND BALANCE: Proprietary Funds</b>			
Balance, June 30, 2009, Unaudited Actuals	\$ 25,939,172	\$2,331,375	\$ 487,267
Decrease in:			
Accounts Receivable - Categoricals	(4,609,282)	(920,553)	(131,192)
Accounts Receivable - Apportionment	1,779,945	-	-
Accounts Receivable - CSR	495,794	-	-
Accounts Payable	(56,926)	-	-
Due To/From Other Funds	(211,203)	-	-
Balance, June 30, 2009, Audited Financial Statements	<u>\$ 23,337,500</u>	<u>\$1,410,822</u>	<u>\$ 356,075</u>

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Internal Service Fund</b>
<b>FUND BALANCE: Proprietary Funds</b>			
Balance, June 30, 2009, Unaudited Actuals	\$ 270,877	\$ 383,953	\$5,742,272
Decrease in:			
Accounts Receivable - Categoricals	(251,656)	(23,856)	-
Claim Liabilities	-	-	743,982
Balance, June 30, 2009, Audited Financial Statements	<u>\$ 19,221</u>	<u>\$ 360,097</u>	<u>\$6,486,254</u>

See accompanying note to supplementary information.

# PAJARO VALLEY 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	\$ 156,306,490	\$ 181,730,519	\$ 185,110,526	\$ 181,652,641
Other sources and transfers in	7,768,533	526,801	30,000	1,367,466
Total Revenues and Other Sources	164,075,023	182,257,320	185,140,526	183,020,107
Expenditures	164,531,977	174,879,932	184,871,556	179,845,494
Other uses and transfers out	11,233,817	693,088	894,929	1,070,536
Total Expenditures and Other Uses	175,765,794	175,573,020	185,766,485	180,916,030
INCREASE (DECREASE) IN FUND BALANCE	\$ (11,690,771)	\$ 6,684,300	\$ (625,959)	\$ 2,104,077
ENDING FUND BALANCE	\$ 11,646,729	\$ 23,337,500	\$ 16,653,200	\$ 17,279,159
AVAILABLE RESERVES <sup>2,5</sup>	\$ 4,103,818	\$ 10,897,095	\$ 6,977,985	\$ 7,263,611
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	2.33%	6.33%	3.83%	4.09%
LONG-TERM DEBT	\$ 75,316,233	\$ 79,195,939	\$ 79,109,996	\$ 71,478,750
K-12 AVERAGE DAILY ATTENDANCE AT P-2 <sup>4</sup>	16,982	17,063	17,011	16,816

The General Fund balance has increased by \$6,058,341 over the past two years. The fiscal year 2009-2010 budget projects a decrease of \$11,690,771. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred two operating surpluses in the past three years and one operating deficit, but anticipates incurring an operating deficit during the 2009-2010 fiscal year. Total long-term obligations have increased by \$7,717,189 over the past two years.

Average daily attendance has increased by 247 over the past two years. Decline of 81 ADA is anticipated during fiscal year 2009-2010.

<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.

<sup>3</sup> On-behalf payments of \$3,514,843, \$3,344,622 and \$3,204,400 in the General Fund have been excluded from the calculation of available reserves percentage for fiscal years ending June 30, 2009, 2008, and 2007, respectively.

<sup>4</sup> Excludes Adult Education and Charter Schools ADA.

<sup>5</sup> Included in available reserves, as allowed by State Guidelines, were \$4,341,745 for categorical receivables that were adjusted out in the current year. See Note 15 for further information.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2009**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Academic Vocational	Yes
Alianza Elementary	Yes
Linscott Elementary	Yes
Pacific Coast Charter School	Yes
Watsonville School of Arts	Yes
Ceiba Charter School	No

See accompanying note to supplementary information.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

**CHARTER SCHOOLS**

**SCHEDULE OF CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2009**

	Linscott Elementary	Watsonville School of Arts	Pacific Coast Charter School	Alianza Elementary	Academic Vocational	Total
Fund balance, beginning	\$ 191,343	\$ (29,552)	\$ 604,316	\$1,126,046	\$ 596	\$1,892,749
Revenues *	1,463,062	1,935,629	1,869,987	4,176,280	537,574	9,982,532
Expenditures	(1,329,633)	(1,889,263)	(1,704,247)	(3,988,433)	(632,330)	(9,543,906)
Fund balance, ending	<u>\$ 324,772</u>	<u>\$ 16,814</u>	<u>\$ 770,056</u>	<u>\$1,313,893</u>	<u>\$ (94,160)</u>	<u>\$2,331,375</u>

\* Excluded from this schedule is the adjustment related to the State categoricals in the amount of \$920,553

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

**FIRST 5 MONTEREY GRANT**

**SCHEDULE OF GRANT REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

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Grantor/Program	Revenue	Expenditures
First 5 Monterey	<u>\$ 110,557</u>	<u>\$ 110,557</u>

See accompanying note to supplementary information.

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

	Charter School Fund	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
<b>ASSETS</b>				
Deposits and investments	\$ 871,521	\$ 783,429	\$ 275,169	\$ 4,817,971
Receivables	680,912	388,624	663,287	-
Due from other funds	92,990	172,931	9,409	-
<b>Total Assets</b>	<u>\$ 1,645,423</u>	<u>\$ 1,344,984</u>	<u>\$ 947,865</u>	<u>\$ 4,817,971</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 48,238	\$ 309,057	\$ 666,857	\$ 3,825
Due to other funds	186,363	668,223	233,202	913
Deferred revenue	-	11,629	28,584	-
<b>Total Liabilities</b>	<u>234,601</u>	<u>988,909</u>	<u>928,643</u>	<u>4,738</u>
<b>Fund Balances:</b>				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	1,410,822	356,075	19,222	4,813,233
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
<b>Total Fund Balance</b>	<u>1,410,822</u>	<u>356,075</u>	<u>19,222</u>	<u>4,813,233</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,645,423</u>	<u>\$ 1,344,984</u>	<u>\$ 947,865</u>	<u>\$ 4,817,971</u>

See accompanying note to supplementary information

<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 4,647,848	\$ 498,842	\$ 525,298	\$ 2,610,893	\$ 31,045	\$ 15,062,016
-	-	-	-	-	1,732,823
50,092	-	-	-	-	325,422
<u>\$ 4,697,940</u>	<u>\$ 498,842</u>	<u>\$ 525,298</u>	<u>\$ 2,610,893</u>	<u>\$ 31,045</u>	<u>\$ 17,120,261</u>
\$ 4,462	\$ 7,716	\$ -	\$ -	\$ -	\$ 1,040,155
-	-	50,092	-	-	1,138,793
-	-	-	-	-	40,213
<u>4,462</u>	<u>7,716</u>	<u>50,092</u>	<u>-</u>	<u>-</u>	<u>2,219,161</u>
-	-	-	-	-	6,599,352
-	-	-	2,610,893	31,045	2,641,938
4,693,478	491,126	475,206	-	-	5,659,810
<u>4,693,478</u>	<u>491,126</u>	<u>475,206</u>	<u>2,610,893</u>	<u>31,045</u>	<u>14,901,100</u>
<u>\$ 4,697,940</u>	<u>\$ 498,842</u>	<u>\$ 525,298</u>	<u>\$ 2,610,893</u>	<u>\$ 31,045</u>	<u>\$ 17,120,261</u>

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

	Charter School Fund	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
<b>REVENUES</b>				
Revenue limit sources	\$ 7,816,931	\$ -	\$ -	\$ -
Federal sources	-	216,764	6,134,233	-
Other State sources	858,614	2,668,014	2,809,305	608,846
Other local sources	39,650	239,310	327,743	86,940
<b>Total Revenues</b>	<b>8,715,195</b>	<b>3,124,088</b>	<b>9,271,281</b>	<b>695,786</b>
<b>EXPENDITURES</b>				
Current				
Instruction	5,701,732	1,871,515	6,053,743	-
Instruction-related activities:				
Supervision of instruction	123,707	480,733	1,524,475	-
Instructional library, media, and technology	205,243	66,532	197,299	-
School site administration	3,153,199	735,198	77,322	-
Pupil services:				
Food services	-	-	20,208	-
All other pupil services	3,633	14,241	811,590	-
Administration:				
All other administration	-	142,399	466,759	-
Plant services	253,371	121,081	419,494	208,718
Facility acquisition and construction	16,948	-	23,721	713,754
Ancillary services	14,019	-	-	-
Debt service				
Principal	24,693	95,000	-	-
Interest and other	3,828	117,939	-	-
<b>Total Expenditures</b>	<b>9,500,373</b>	<b>3,644,638</b>	<b>9,594,611</b>	<b>922,472</b>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<b>(785,178)</b>	<b>(520,550)</b>	<b>(323,330)</b>	<b>(226,686)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	303,251	101,160	22,212	266,465
Transfers out	-	(500,000)	-	-
<b>Net Financing Sources (Uses)</b>	<b>303,251</b>	<b>(398,840)</b>	<b>22,212</b>	<b>266,465</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(481,927)</b>	<b>(919,390)</b>	<b>(301,118)</b>	<b>39,779</b>
<b>Fund Balance - Beginning</b>	<b>1,892,749</b>	<b>1,275,465</b>	<b>320,340</b>	<b>4,773,454</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,410,822</b>	<b>\$ 356,075</b>	<b>\$ 19,222</b>	<b>\$ 4,813,233</b>

See accompanying note to supplementary information



Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,816,931
-	-	-	-	-	6,350,997
-	-	-	26,982	-	6,971,761
113,354	607,834	11,337	3,346,507	-	4,772,675
113,354	607,834	11,337	3,373,489	-	25,912,364
-	-	-	-	-	13,626,990
-	-	-	-	-	2,128,915
-	-	-	-	-	469,074
-	-	-	-	-	3,965,719
-	-	-	-	-	20,208
-	-	-	-	-	829,464
-	-	-	-	-	609,158
-	462,641	-	-	-	1,465,305
2,308,209	810,337	66,344	-	-	3,939,313
-	-	-	-	-	14,019
-	-	-	1,230,000	-	1,349,693
(22,402)	-	-	2,098,062	-	2,197,427
2,285,807	1,272,978	66,344	3,328,062	-	30,615,285
(2,172,453)	(665,144)	(55,007)	45,427	-	(4,702,921)
-	-	-	-	-	693,088
-	-	-	-	-	(500,000)
-	-	-	-	-	193,088
(2,172,453)	(665,144)	(55,007)	45,427	-	(4,509,833)
6,865,931	1,156,270	530,213	2,565,466	31,045	19,410,933
\$ 4,693,478	\$ 491,126	\$ 475,206	\$ 2,610,893	\$ 31,045	\$ 14,901,100

# PAJARO VALLEY 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*.

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 balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures and Changes in Fund Balance:		\$45,524,584
Less: Unspent proceeds of State Fiscal Stabilization Funds	84.394	(8,014,067)
Add: Expenditures for Medi-Cal Billing in excess of amounts received	93.778	112,584
Add: Fair Market Value of Commodities not recorded in the financial statements	10.555	303,195
Total Schedule of Expenditures of Federal Awards		<u>\$37,926,296</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.

# **PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

#### **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.

#### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the School District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

#### **Charter School Statement of Changes in Fund Balances**

The charter school schedule of changes in fund balances provides information about the changes in fund balance in each of the five charter schools operated by the District.

#### **First 5 Monterey Grant Schedule of Revenues and Expenditures**

The First 5 Monterey grant schedule of revenues and expenditures provides information about the current year revenues and expenses of the grant program operated by the District.

#### **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 AUDITOR'S REPORTS***

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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  
Pajaro Valley Unified School District  
Watsonville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pajaro Valley Unified School District as of and for the year ended June 30, 2009, which collectively comprise Pajaro Valley Unified School District's basic financial statements and have issued our report thereon dated December 15, 2009. 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 Pajaro Valley 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 Pajaro Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pajaro Valley 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 Pajaro Valley 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*.

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, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California  
December 15, 2009



**INDEPENDENT AUDITOR'S 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  
Pajaro Valley Unified School District  
Watsonville, California

**Compliance**

We have audited the compliance of Pajaro Valley 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. Pajaro Valley Unified School District's major Federal programs are identified in the summary of auditor's 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 Pajaro Valley Unified School District's management. Our responsibility is to express an opinion on Pajaro Valley 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*<sup>2</sup>, 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 Pajaro Valley 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 Pajaro Valley Unified School District's compliance with those requirements.

In our opinion, Pajaro Valley 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 Pajaro Valley 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 Pajaro Valley 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 Pajaro Valley 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, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California  
December 15, 2009





## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Pajaro Valley Unified School District  
Watsonville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pajaro Valley Unified School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. 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 Pajaro Valley Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Pajaro Valley Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Not Applicable <sup>1</sup>
Regional occupational centers and programs	6	Not Applicable <sup>1</sup>
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	No <sup>2</sup>
Morgan-Hart Class Size Reduction	7	Not Applicable <sup>1</sup>
Instructional Materials:		
General requirements	12	1 <sup>3</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	Yes
After School Education and Safety Program		
General requirements	4	Yes
After school	4	Yes
Before school	5	Yes
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Yes
Determination of funding for non classroom-based instruction	3	Yes
Annual instruction minutes classroom based	3	Yes

<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 19825 procedures (e) and (g) were not performed.

<sup>3</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 Community Day School because the amount of ADA generated was not significant enough for testing.

Based on our audit, we found that for the items tested, the Pajaro Valley 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 Pajaro Valley Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Pajaro Valley 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, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinck, Trine, Day & Co. LLP*

Palo Alto, California  
December 15, 2009

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

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# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2009

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### FINANCIAL STATEMENTS

Type of auditor's 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 auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>84.010</u>	<u>Title I - Basic Grants</u>
<u>84.011</u>	<u>Title I - Migrant Education</u>
<u>84.027, 84.173, 84.391</u>	<u>Special Education</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,137,789</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 auditor's report issued on compliance for State programs:	<u>Unqualified</u>

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

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The following finding represents instance of noncompliance related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
2009-1	30000	Internal Control
Code		

### Criteria or Specific Requirements

Management is responsible for establishing and maintaining internal controls, including those related to the prevention and detection of fraud, and monitoring activities of those controls. This responsibility extends to the activities of the associated student body accounts (ASB).

### Condition

During our visit at Aptos Junior High School, we noted that weaknesses in internal control.

- No revenue potential forms were prepared.
- Instances of disbursements were noted without having the proper purchase orders.
- Approvals were missing on some of the disbursements.

### Questioned costs

None.

### Context

All cash collections made through fund raising activities and all purchases made using the Aptos Junior High student body funds.

### Effect

Revenue potentials enable the ASB to control their cash collections insuring that all items sold have been collected in cash or returned back to the ASB's inventory. If those calculations were not performed, sales and related cash collections could be misstated. In addition, having disbursements supported by proper purchase orders and authorization from the student minutes is necessary to ensure that all disbursements were properly approved by the student council.

### Recommendation

We recommend that the ASB prepare revenue potential/sale analysis for fund raising events. We also recommend that all purchases are supported by the proper documents.

### District Response

The District has notified the site of the findings and will follow up to ensure the proper forms are completed in a timely manner. An outline has been provided to every school site that has an ASB. This outline informs the ASB staff and advisors of the proper procedures to follow. Also sample forms have been provided to make compliance easier. The District will meet with all sites to verify that the sites are in compliance. Trainings are also provided to the sites.

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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

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**None Reported.**

**PAJARO VALLEY UNIFIED SCHOOL DISTRICT**

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

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**None Reported.**

# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *Financial Statement Findings*

2008-1      Code 30000

#### *Title Internal Control*

#### **Finding**

During our visit at Watsonville High School, we noted that no revenue potentials/sales analysis was prepared. Revenue potential and sales analysis enables the ASB to track cash collections for all items sold. It is a simple calculation that compares the amounts that should have been collected to the cash deposited in the bank.

#### **Recommendation**

We recommend that the ASB prepare revenue potential/sale analysis for fund raising events.

#### **Current Status**

See current year's finding related to the student body

### *Federal Awards Findings*

None reported.

### *State Award Findings*

2008-2      Code 40000

#### *Title State Compliance*

#### **Finding**

We were unable to confirm students' release from the sites because the District did not maintain records showing early release from the program. The District indicated that the records have been shredded and therefore we were unable to conclude as to whether certain students were released before 6:00 PM in accordance with the early release policy were in compliance with that policy.

#### **Recommendation**

We recommend the district to review requirements for ASES to ensure that they are in compliance with such requirements.

#### **Current Status**

Implemented.



# PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

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2008-3      Code 40000

*Title State Compliance*

**Finding**

During our testing of specific requirements related to instructional minutes, we noticed that Watsonville High School did not meet the minimum required instructional minutes. We recalculated 64,746 instructional minutes for the site, which is short of the minimum requirement by 54 minutes.

**Recommendation**

We recommend that administrators become familiar with the instructional minutes requirements for each grade level and insure that schools meet the minimum requirement before school is initiated.

**Current Status**

Implemented

