

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2000

PAJARO VALLEY UNIFIED SCHOOL DISTRICT
OF SANTA CRUZ COUNTY
WATSONVILLE, CALIFORNIA
JUNE 30, 2000

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Evelyn Volpa	President	2002
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ADMINISTRATION

Dr. John Casey

Superintendent

Mr. Terry McHenry

Associate Superintendent, Business

ORGANIZATION

The Pajaro Valley Unified School District was established on June 12, 1964, and is comprised of Southern Santa Cruz County plus small contiguous parts of Monterey County for a total area of approximately 155 square miles. The District operates 16 elementary schools, four charter schools, one junior high school, four middle schools, and two senior high schools. The District also maintains a continuation high school, an adult education school, three childcare centers, and a migrant center.

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pajaro Valley Unified School District
Watsonville, California

We have audited the accompanying general-purpose and combining financial statements of the Pajaro Valley Unified School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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*, prescribed by the State Controller. 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 opinion.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the Pajaro Valley Unified School District at June 30, 2000, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2000, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying 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 States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Vanninek Trine Jay & Co. LLP

San Jose, California
November 22, 2000

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

ALL FUND TYPES AND ACCOUNT GROUPS COMBINED BALANCE SHEET JUNE 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 405,606	\$ 333,918	\$ -	\$ 44,277
Investments	5,957,237	1,847,835	31,100	6,913,661
Accounts receivable	6,833,416	1,541,498	-	5,176,053
Due from other funds	4,393,117	191,091	-	200,924
Stores inventory	231,674	61,520	-	-
Amount available for the retirement of general long-term debt	-	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total Assets	\$ 17,821,050	\$ 3,975,862	\$ 31,100	\$ 12,334,915
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	3,740,713	640,840	-	900,663
Due to other funds	1,064,584	783,223	-	3,149,272
Deferred revenue	4,267,297	1,106,458	-	4,899,113
Due to student groups	-	-	-	-
Claims liabilities	-	-	-	-
General long-term debt	-	-	-	-
Total Liabilities	9,072,594	2,530,521	-	8,949,048
FUND EQUITY				
Retained Earnings				
Fund balances				
Reserved	2,946,780	61,520	-	-
Unreserved				
Designated	4,709,635	-	-	733,481
Undesignated	1,092,041	1,383,821	31,100	2,652,386
Total Fund Equity	8,748,456	1,445,341	31,100	3,385,867
Total Liabilities and Fund Equity	\$ 17,821,050	\$ 3,975,862	\$ 31,100	\$ 12,334,915

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

<i>Self Ins</i> Proprietary Fund Type	<i>Retiree</i> Fiduciary Fund Types	Account Group	Total (Memorandum Only)
Internal Service	Trust and Agency	General Long-Term Debt	
\$ 981,423	\$ 600,013	\$ -	\$ 2,365,237
2,730,863	2,859,159	-	20,339,855
-	-	-	13,550,967
-	702,988	-	5,488,120
-	-	-	293,194
-	-	3,665,756	3,665,756
-	-	13,882,580	13,882,580
<u>\$ 3,712,286</u>	<u>\$ 4,162,160</u>	<u>\$ 17,548,336</u>	<u>\$ 59,585,709</u>
-	222,005	-	5,504,221
491,041	-	-	5,488,120
-	-	-	10,272,868
-	596,793	-	596,793
2,025,991	-	-	2,025,991
-	-	17,548,336	17,548,336
<u>2,517,032</u>	<u>818,798</u>	<u>17,548,336</u>	<u>41,436,329</u>
1,195,254	-	-	1,684,025
-	-	-	3,008,300
-	-	-	5,443,116
-	3,343,362	-	8,013,939
<u>1,195,254</u>	<u>3,343,362</u>	<u>-</u>	<u>18,149,380</u>
<u>\$ 3,712,286</u>	<u>\$ 4,162,160</u>	<u>\$ 17,548,336</u>	<u>\$ 59,585,709</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Revenue Limit Sources				
State apportionments	\$ 35,333,582	\$ 1,550,155	\$ -	\$ -
Local sources	39,583,546	-	-	-
Total Revenue Limit Sources	74,917,128	1,550,155	-	-
Federal revenues	10,471,134	5,635,273	-	-
Other state revenues	32,554,798	2,464,851	-	11,413,141
Other local revenues	3,340,176	1,817,860	872	2,030,489
Tuition and transfers	370,093	-	-	-
Total Revenues	121,653,329	11,468,139	872	13,443,630
EXPENDITURES				
Current Expenditures				
Certificated salaries	56,816,024	2,205,421	-	-
Classified salaries	19,263,242	2,772,956	-	-
Employee benefits	23,696,570	1,957,932	-	-
Books and supplies	5,979,982	2,627,139	-	31,635
Services and other operating expenditures	10,499,591	1,244,771	-	1,231,796
Other outgo	(23,025)	438,687	-	-
Capital outlay	6,221,457	682,763	-	12,205,004
Debt service	435,989	-	-	572,449
Total Expenditures	122,889,830	11,929,669	-	14,040,884
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(1,236,501)	(461,530)	872	(597,254)
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	669,675	-	857,372
Operating transfers out	(1,527,047)	-	-	-
Other sources (uses)	(192,866)	156,848	-	(316,708)
Total Other Financing Sources/(Uses)	(1,719,913)	826,523	-	540,664
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(2,956,414)	364,993	872	(56,590)
FUND BALANCE, BEGINNING OF YEAR	11,704,870	1,080,348	30,228	3,442,457
FUND BALANCE, END OF YEAR	\$ 8,748,456	\$ 1,445,341	\$ 31,100	\$ 3,385,867

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ -	\$ 36,883,737
-	39,583,546
-	76,467,283
-	16,106,407
-	46,432,790
1,142,752	8,332,149
-	370,093
<u>1,142,752</u>	<u>147,708,722</u>

-	59,021,445
-	22,036,198
-	25,654,502
2,486	8,641,242
189,519	13,165,677
-	415,662
-	19,109,224
-	1,008,438
<u>192,005</u>	<u>149,052,388</u>

<u>950,747</u>	<u>(1,343,666)</u>
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-	1,527,047
-	(1,527,047)
-	(352,726)
-	(352,726)

950,747	(1,696,392)
<u>2,392,615</u>	<u>18,650,518</u>
\$ 3,343,362	\$ 16,954,126

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

ALL BUDGETED GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2000

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 38,824,357	\$ 35,333,582	\$ (3,490,775)
Local sources	35,926,602	39,583,546	3,656,944
Total Revenue Limit Sources	74,750,959	74,917,128	166,169
Federal revenues	13,367,760	10,471,134	(2,896,626)
Other state revenues	32,237,665	32,554,798	317,133
Other local revenues	2,122,637	3,340,176	1,217,539
Tuition and transfers	75,023	370,093	295,070
Total Revenues	122,554,044	121,653,329	(900,715)
EXPENDITURES			
Current Expenditures			
Certificated salaries	54,404,990	56,816,024	(2,411,034)
Classified salaries	18,619,118	19,263,242	(644,124)
Employee benefits	25,355,875	23,696,570	1,659,305
Books and supplies	13,633,406	5,979,982	7,653,424
Services and operating expenditures	8,695,482	10,499,591	(1,804,109)
Other outgo	(477,573)	(23,025)	(454,548)
Capital outlay	5,166,740	6,221,457	(1,054,717)
Debt service	577,680	435,989	141,691
Total Expenditures	125,975,718	122,889,830	3,085,888
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(3,421,674)	(1,236,501)	2,185,173
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	1,383,007	-	(1,383,007)
Operating transfers out	(2,845,054)	(1,527,047)	1,318,007
Other sources (uses)	52,080	(192,866)	(244,946)
Total Other Financing Sources/(Uses)	(1,409,967)	(1,719,913)	(309,946)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(4,831,641)	(2,956,414)	1,875,227
FUND BALANCE, BEGINNING OF YEAR	11,704,870	11,704,870	-
FUND BALANCE, END OF YEAR	\$ 6,873,229	\$ 8,748,456	\$ 1,875,227

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

Special Revenue			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,819,175	\$ 1,550,155	\$ (269,020)	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,819,175	1,550,155	(269,020)	-	-	-
7,314,453	5,635,273	(1,679,180)	-	-	-
2,149,232	2,464,851	315,619	9,174,508	11,413,141	2,238,633
106,994	1,817,860	1,710,866	1,424,465	2,030,489	606,024
-	-	-	-	-	-
11,389,854	11,468,139	78,285	10,598,973	13,443,630	2,844,657
-	-	-	-	-	-
2,132,701	2,205,421	(72,720)	-	-	-
2,902,070	2,772,956	129,114	-	-	-
2,358,001	1,957,932	400,069	-	-	-
2,672,222	2,627,139	45,083	-	31,635	(31,635)
755,488	1,244,771	(489,283)	830,371	1,231,796	(401,425)
477,573	438,687	38,886	-	-	-
705,266	682,763	22,503	11,723,707	12,205,004	(481,297)
-	-	-	-	572,449	(572,449)
12,003,321	11,929,669	73,652	12,554,078	14,040,884	(1,486,806)
-	-	-	-	-	-
(613,467)	(461,530)	151,937	(1,955,105)	(597,254)	1,357,851
-	-	-	-	-	-
604,675	669,675	65,000	848,923	857,372	8,449
-	-	-	-	-	-
-	156,848	156,848	8,449	(316,708)	(325,157)
604,675	826,523	221,848	857,372	540,664	(316,708)
-	-	-	-	-	-
(8,792)	364,993	373,785	(1,097,733)	(56,590)	1,041,143
1,211,495	1,080,348	(131,147)	3,442,457	3,442,457	-
\$ 1,202,703	\$ 1,445,341	\$ 242,638	\$ 2,344,724	\$ 3,385,867	\$ 1,041,143

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

ALL BUDGETED GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2000

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 40,643,532	\$ 36,883,737	\$ (3,759,795)
Local sources	35,926,602	39,583,546	3,656,944
Total Revenue Limit Sources	76,570,134	76,467,283	(102,851)
Federal revenues	20,682,213	16,106,407	(4,575,806)
Other state revenues	43,561,405	46,432,790	2,871,385
Other local revenues	3,654,096	7,188,525	3,534,429
Tuition and transfers	75,023	370,093	295,070
Total Revenues	144,542,871	146,565,098	2,022,227
EXPENDITURES			
Current Expenditures			
Certificated salaries	56,537,691	59,021,445	(2,483,754)
Classified salaries	21,521,188	22,036,198	(515,010)
Employee benefits	27,713,876	25,654,502	2,059,374
Books and supplies	16,305,628	8,638,756	7,666,872
Services and operating expenditures	10,281,341	12,976,158	(2,694,817)
Other outgo	-	415,662	(415,662)
Capital outlay	17,595,713	19,109,224	(1,513,511)
Debt service	577,680	1,008,438	(430,758)
Total Expenditures	150,533,117	148,860,383	1,672,734
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(5,990,246)	(2,295,285)	3,694,961
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	2,836,605	1,527,047	(1,309,558)
Operating transfers out	(2,845,054)	(1,527,047)	1,318,007
Other sources (uses)	60,529	(352,726)	(413,255)
Total Other Financing Sources/(Uses)	52,080	(352,726)	(404,806)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(5,938,166)	(2,648,011)	3,290,155
FUND BALANCE, BEGINNING OF YEAR	16,358,822	16,227,675	(131,147)
FUND BALANCE, END OF YEAR	\$ 10,420,656	\$ 13,579,664	\$ 3,159,008

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND TYPE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Internal Service</u>
OPERATING REVENUE	
Premiums	<u>\$ 13,383,193</u>
OPERATING EXPENSES	
Classified salaries	16,391
Employee benefits	8,443
Claims expense	<u>14,018,599</u>
Total Operating Expenses	<u>14,043,433</u>
OPERATING LOSS	<u>(660,240)</u>
NONOPERATING REVENUES	
Interest income	<u>171,469</u>
NET LOSS	<u>(488,771)</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>1,684,025</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,195,254</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND TYPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating (loss)	\$ (660,240)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities	
Changes in assets and liabilities	
Decrease in:	
Accounts receivable	64,402
Increase in:	
Due to other funds	489,030
Claims liability	<u>9,788</u>
Net Cash Used in Operating Activities	(97,020)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>171,469</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>74,449</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,637,837</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,712,286</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pajaro Valley Unified School District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, except that a complete historical cost record of fixed assets has not been maintained. The Pajaro Valley Unified School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The District includes all funds, account groups, and other entities that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. For financial reporting purposes the component units discussed below are reported in the District's financial statements because of the significance of their relationship with the District. The component units, although legally separate entities, are reported in the financial statements 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 finance the construction of facilities to be used for the benefit of the District.

1. Pajaro Valley Unified School District and the Pajaro Valley Unified School District Financing Corporation have a financial operational relationship which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the corporation as a component unit of the District. Accordingly, the financial activities of the corporation have been included in the financial statements of the District.

Scope of Public Service:

The Corporation is a nonprofit, public benefit Corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities.

Financial Presentation:

For financial presentation purposes, the Corporation's financial activity has been combined with the financial data of the District in the State School Building Fund. The financial statements present the Corporation's financial activity including debt service payments. The Corporation issued \$10,000,000 in certificates of participation and they are included in the District's General Long-term Debt Account Group.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

2. The Pajaro Valley Unified School District and the Pacific Coast, Alianza, Linscott and Vocational Academy Charter Schools (The Charter Schools) have a financial relationship which meets the reporting entity definition of GASB Statement No. 14, the Financial Reporting Entity, for inclusion of the Charter Schools as component units of the District. Accordingly, the financial activities of the Charter Schools have been included in the financial statements of the District.

Scope of Public Service:

The Charter Schools are cooperative parent-teacher schools. Each Charter School's management team is made up of an equal number of parents, who have been elected by the parent group, and teachers, plus a business manager. The Charter Schools are serving approximately 850 children in grade levels K-5. The Schools' approach is based on the belief that children learn by doing, and classrooms are designed to provide active, hands on experiences.

Financial Presentation:

For financial presentation purposes, all Charter School financial activity has been blended, or combined, with the financial data of the District.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

Proprietary Funds

- Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the medical benefits self-insurance fund.

Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee.
- Agency Funds are used to account for assets of others for which the District acts as agent.

Account Group

The accounting and reporting treatment applied to long-term liabilities associated with a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the long-term liabilities associated with governmental funds are accounted for in the account group of the District. The district does not maintain a General Fixed Assets Account Group.

- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. 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.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for those funds associated with the District's financing corporation component unit. The District's governing board must adopt an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The district's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Stores Inventory

Inventory is valued at average cost utilizing the purchase method. Inventory in the applicable funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when incurred or during the benefiting period. The District has chosen to report the expenditures when incurred.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The District accounts for its unpaid employee vacation benefit in accordance with the budgetary basis of accounting and as such records all of the liability in the General Long-term Debt Account Group.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

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, therefore, 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.

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

J. 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 for the District. The District recognizes tax revenues when received.

K. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the internal service fund considers all highly liquid investments with an original maturity of three months or less when purchased, including cash in county, to be cash equivalents.

L. Deferred Revenue

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

N. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE #2 - CASH

Cash at June 30, 2000, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *		Total	Carrying Amount
	1	3		
Categorized Deposits				
Cash on hand and in banks	\$ 400,416	\$ 1,409,018	\$ 1,809,434	\$ 1,607,869
Cash in revolving fund	-	89,715	89,715	75,000
Cash awaiting deposit	-	-	-	682,368
Total Deposits	<u>\$ 400,416</u>	<u>\$ 1,498,733</u>	<u>\$ 1,899,149</u>	<u>\$ 2,365,237</u>

*These categories are as follows:

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE #3 - INVESTMENTS

Investments at June 30, 2000, held on behalf of the Pajaro Valley Unified School District are presented below and categorized separately to give an indication of the level of risk associated with each investment.

	Category *			Reported Amount	Fair Value
	1	2	3		
Bayerische Landes Bank	\$ -	\$ -	\$ 698,610	\$ 698,610	\$ 698,610
First American Treasury Obligations	-	-	34,871	34,871	34,871
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,481</u>	<u>733,481</u>	<u>733,481</u>
Uncategorized					
U.S. Treasury				173,715	185,195
Deposits with county treasurer				19,432,659	19,403,121
				<u>\$ 20,339,855</u>	<u>\$ 20,321,797</u>

*These categories are as follows:

Category 1: Insured or registered, or securities held by the District or its agent in the District's name.

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.

Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the District's name.

A. Authorized Investments

The District is authorized 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.

B. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Santa Cruz. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE #4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2000, consist of the following:

	General	Special Revenue	Capital Projects	Total
Federal Government				
Categorical aid	\$ 2,391,317	\$ 730,838	\$ -	\$ 3,122,155
State Government				
Apportionment	-	20,655	-	20,655
Categorical aid	1,193,835	125,488	-	1,319,323
Other state	1,247,047	535,704	5,176,053	6,958,804
Other Local Sources	2,001,217	128,813	-	2,130,030
Total	<u>\$ 6,833,416</u>	<u>\$ 1,541,498</u>	<u>\$ 5,176,053</u>	<u>\$ 13,550,967</u>

NOTE #5 - INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2000, are as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 1,064,584	\$ 4,393,117
Adult Education	148,107	49,574
Cafeteria	402,238	111,621
Child Development	231,412	29,896
Deferred Maintenance	1,466	-
Capital Facilities	13,162	-
State School Building	3,127,507	-
County School Facilities	8,603	200,924
Self-insurance	491,041	-
Retiree Benefits	-	702,988
Total	<u>\$ 5,488,120</u>	<u>\$ 5,488,120</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2000, are as follows:

The General fund transferred to the Adult Education fund for Lottery	\$ 166,160
The General fund transferred to the Deferred Maintenance fund for state match	503,515
The General fund transferred to the State School Building fund the for COPs repayment	857,372
Total	<u>\$ 1,527,047</u>

NOTE #6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2000, consist of the following:

	General	Special Revenue	Capital Projects	Trust and Agency	Total
Federal Categorical	\$ 6,242	\$ 12,884	\$ -	\$ -	19,126
Other State	208,487	-	-	-	208,487
Accrued payroll	731,633	260,259	-	-	991,892
Other	2,794,351	367,697	900,663	222,005	4,284,716
Total	<u>\$ 3,740,713</u>	<u>\$ 640,840</u>	<u>\$ 900,663</u>	<u>\$ 222,005</u>	<u>\$ 5,504,221</u>

NOTE #7 - DEFERRED REVENUE

Deferred revenue at June 30, 2000, consists of the following:

	General	Special Revenue	Capital Projects	Total
Federal financial assistance	\$ 2,063,495	\$ 50,182	\$ -	\$ 2,113,677
State categorical aid	1,458,655	979,479	-	2,438,134
State school building projects	-	-	4,899,113	4,899,113
Other local	745,147	76,797	-	821,944
Total	<u>\$ 4,267,297</u>	<u>\$ 1,106,458</u>	<u>\$ 4,899,113</u>	<u>\$ 10,272,868</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE #8 - FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency
Reserved					
Revolving cash	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Stores inventory	231,674	61,520	-	-	-
Legally restricted	2,640,106	-	-	-	-
Total Reserved	2,946,780	61,520	-	-	-
Unreserved					
Designated					
Economic uncertainties	3,640,883	-	-	-	-
COP repayment	700,000	-	-	733,481	-
Lindscott Charter School	368,752	-	-	-	-
Total Designated	4,709,635	-	-	733,481	-
Undesignated	1,092,041	1,383,821	31,100	2,652,386	3,343,362
Total Unreserved	5,801,676	1,383,821	31,100	3,385,867	3,343,362
Total	\$ 8,748,456	\$ 1,445,341	\$ 31,100	\$ 3,385,867	\$ 3,343,362

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE #9 - GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2000, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
State school building loans	\$ 41,407	\$ 1,289	\$ -	\$ 42,696
Certificates of participation	10,000,000	-	-	10,000,000
Accumulated vacation - net	876,025	142,647	-	1,018,672
Postemployment benefits - net	3,764,065	173,442	-	3,937,507
Capital leases	771,166	-	283,834	487,332
Land purchase note payable	113,464	-	44,315	69,149
Energy service contract	2,174,160	-	181,180	1,992,980
Total	\$ 17,740,287	\$ 317,378	\$ 509,329	17,548,336
Amount currently available and reserved for retirement of general long-term debt				
General - designated for COP payments			700,000	
Tax override			31,100	
State school building fund			733,481	
Retiree benefits			2,201,175	3,665,756
Amount to be provided for retirement of general long-term debt				\$ 13,882,580

B. State and Public School Building Loans

State school building loans outstanding as of June 30, 2000, are as follows:

Year Disbursed	Interest Rate	Balance Beginning of Year	Interest Charge	Repayment and State Credit Current Year	Outstanding End of Year
1982	4.90%	\$ 41,407	\$ 1,289	\$ -	\$ 42,696

The State and Public School Building Loans are secured by all sites purchased and improved, all equipment purchased, and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Section 16019 of the Education Code.

Annual repayment is determined by the State Controller in accordance with Section 16214 of the Education Code.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

C. Certificates of Participation

On May 1, 1997, the Pajaro Valley Unified School District Financing Corporation issued \$10,000,000 in Certificates of Participation. The Certificates have interest rates between 4.65 percent and 5.50 percent. The first principal payment is due on September 1, 2001. The total debt outstanding as of June 30, 2000 is \$10,000,000.

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest	Total
2001	\$ -	\$ 572,449	\$ 572,449
2002	120,000	572,449	692,449
2003	125,000	566,869	691,869
2004	135,000	560,869	695,869
2005	140,000	554,254	694,254
Thereafter	9,480,000	9,967,654	19,447,654
Total	<u>\$ 10,000,000</u>	<u>\$ 12,794,544</u>	<u>\$ 22,794,544</u>

D. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2000, amounted to \$1,018,672.

E. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least ten consecutive years of service. Currently, 175 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees report claims. During the year, expenditures of \$681,744 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2000, amounts to \$3,937,507. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in affect at June 30, 2000, multiplied by the number of years of payments remaining. The District established a Retirement Benefit Fund for the Fiscal year 1996-1997 in order to start funding the liability.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

In 1996, the District contracted for an actuarial valuation of the present value of the future cost of benefits that will be paid in all future years after retirement for the current group of employees and retirees who satisfy the plan requirements immediately prior to retirement. The present value of future cost assuming an 8 percent discount rate and an increase of 8 percent healthcare cost is \$110,400,000.

F. Capital Leases

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

	Data Processing System	Porter Building	Total
Balance, Beginning of Year	\$ 265,020	\$ 768,537	\$ 1,033,557
Payments	(265,020)	(69,867)	(334,887)
Balance, End of Year	\$ -	\$ 698,670	\$ 698,670

The capital leases have minimum lease payments as follows:

Year Ending June 30,	
2001	\$ 69,867
2002	69,867
2003	69,867
2004	69,867
2005	69,867
Thereafter	349,335
Total	698,670
Amount Representing Interest	(211,338)
Present Value of Minimum Lease Payments	\$ 487,332

G. Land Purchase Note Payable

On April 1, 1999, the District entered into a contract for the purchase of real property. The note balance will be repaid over 30 months. The note has an interest rate of 8 percent. The total debt outstanding as of June 30, 2000, is \$69,149. Debt service requirements are as follows:

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

Year Ending June 30,	Principal	Interest	Total
2001	\$ 47,994	\$ 3,797	\$ 51,791
2002	21,155	425	21,580
Total	<u>\$ 69,149</u>	<u>\$ 4,222</u>	<u>\$ 73,371</u>

H. Energy Service Contract

During the 1998-99 fiscal year, the District entered into an energy service contract. The total amount of the contract totaled \$2,355,340. The contract expires August 2010. Payment requirements are as follows:

Year Ending June 30,	
2001	\$ 181,180
2002	181,180
2003	181,180
2004	181,180
2005	181,180
Thereafter	1,087,080
Total	<u>\$ 1,992,980</u>

NOTE #10 - 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 State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

A. PERS

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 death 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 95814.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7 percent of monthly salary over \$133.33 if the member participates in Social Security), 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal 1999-2000 was 0 percent of annual 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, 2000, 1999, and 1998 were \$0, \$0, and \$1,990,155, respectively, and equal 100 percent of the required contributions for each year.

B. STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 1999-2000 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$4,510,455, \$4,074,694, and \$3,778,734, respectively, and equal 100 percent of the required contributions for each year.

C. Social Security

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

D. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$3,062,735 (5.602 percent of salaries subject to STRS) and \$50,845 (.093 percent of salaries subject to PERS). Under generally accepted accounting principles, 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 (J-200). These amounts also have not been recorded in these financial statements.

NOTE #11 - RISK MANAGEMENT - CLAIMS

A. Description

The District's risk management activities are recorded in the General and Self-insurance Funds. Employee property and liability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Santa Cruz San Benito County Schools Insurance Group (SCSBCSIG) public entity risk pool for its workers' compensation programs. Refer to Note #13 for additional information regarding this risk pool. The property and liability program, for which the District retains risk of loss, is administered by the Self-insurance Fund. Excess property and liability coverage is obtained through SELF.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

B. Unpaid Claims Liabilities

The Self-insurance 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 represents the changes in approximate aggregate liabilities for the District from July 1, 1998 to June 30, 2000 (in thousands):

	Health Care
Liability Balance, July 1, 1998	\$ 2,065
Claims and changes in estimates	11,704
Claims payments	(11,704)
Liability Balance, June 30, 1999	2,016
Claims and changes in estimates	11,997
Claims payments	(11,987)
Liability Balance, June 30, 2000	2,026
Assets available to pay claims at June 30, 2000	\$ 3,221

NOTE #12 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management, any required reimbursements will not be material.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

B. Construction Commitments

As of June 30, 2000, the District had the following commitments with respect to the unfinished capital projects.

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion	Funding Source
New High School	\$ 44,646,768	06/30/03	State School Building Fund/COP
Watsonville High	4,049,729	03/31/00	State School Building Fund
Hall	1,193,200	06/30/01	State School Building Fund
Rio Del Mar	744,452	01/30/01	State School Building Fund
Salsipuedes	147,330	10/30/00	State School Building Fund
Calabasas	930,394	10/01/01	State School Building Fund
Freedom	1,045,582	12/30/00	State School Building Fund
Arnosti	107,625	10/30/00	State School Building Fund
Aptos	4,554,492	06/01/01	State School Building Fund
Aptos Jr	166,668	08/30/00	State School Building Fund
Mar Vista	1,108,071	07/30/01	State School Building Fund
Rolling Hills	1,429,894	09/30/01	State School Building Fund
	<u>\$ 60,124,205</u>		

NOTE #13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Santa Cruz-San Benito County Schools Insurance Group public entity risk pool. The District pays an annual premium to the entity for its workers' compensation coverage. The relationship between the District and the pool is such that the pool is not a component unit of the District for financial reporting purposes.

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

- A. Entity The Santa Cruz-San Benito County Schools Insurance Group.
- B. Purpose Arranges and provides workers' compensation insurance.
- C. Participants Members of its 24-member districts.
- D. Governing Board Consisting of a representative from each member district.
- E. Condensed Audited Financial Information Follows

	June 30, 1999*
Assets	\$ 3,698,087
Liabilities	967,267
Fund Equity	\$ 2,730,820
Revenues	4,068,915
Expenses	(4,387,775)
Decrease in Fund Equity	\$ (318,860)
F. <u>Payments for the Current Year</u>	\$ 1,724,468

*Most recent information available.

The JPA has had no long-term debt outstanding at June 30, 1999. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE #14 - JOINT POWERS AUTHORITY

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 is for a period of ten years 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 JUNE 30, 2000

NOTE #15 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2000, the following District fund(s) exceeded the budgeted amounts in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Adult Education	\$ 2,290,841	\$ 2,292,143	\$ 1,302
Child Development	\$ 3,296,381	\$ 3,639,332	\$ 342,951
Capital Facilities	\$ 1,424,465	\$ 1,724,579	\$ 300,114
State School Building	\$ 6,495,678	\$ 10,125,931	\$ 3,630,253

NOTE #16 - TAX AND REVENUE ANTICIPATION NOTES

On July 1, 1999, the District issued \$10,825,000 Tax and Revenue Anticipation Notes bearing interest at 3.10 percent. Interest and principal were due and payable on June 30, 2000. By May 1, 1999, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$10,825,000 and related accrued interest and cash held in trust are not included in these financial statements.

NOTE #17 - SUBSEQUENT EVENT

The District issued \$14,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2000. The notes mature on June 29, 2001, and yield 3.10 percent interest. The notes were sold to supplement cash flow.

Repayment requirements are that 50 percent of principal and interest be deposited with the fiscal agent by January 1, 2001 and the remaining 50 percent of principal and interest due on account by May 1, 2001.

Additionally, the District has defeased the current \$10,000,000 Certificates of Participation (COP) and reissued 13,000,000 Certificates of Participation. These certificates disclose a maturing date of 2031. The Certificates have interest rates between 2.90 percent and 4.50 percent.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE #18 - NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."* This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2002. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET JUNE 30, 2000

	Adult Education	Cafeteria	Child Development	Deferred Maintenance
ASSETS				
Cash	\$ 697	\$ 21,343	\$ 311,878	\$ -
Investments	814,766	568,632	372,542	91,895
Accounts receivable	305,976	669,018	63,504	503,000
Due from other funds	49,574	29,896	111,621	-
Stores inventory	-	61,520	-	-
Total Assets	<u>\$ 1,171,013</u>	<u>\$ 1,350,409</u>	<u>\$ 859,545</u>	<u>\$ 594,895</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	84,339	211,190	245,803	99,508
Due to other funds	148,107	231,412	402,238	1,466
Deferred revenue	837,748	-	268,710	-
Total Liabilities	<u>1,070,194</u>	<u>442,602</u>	<u>916,751</u>	<u>100,974</u>
FUND EQUITY				
Fund balances				
Reserved	-	61,520	-	-
Unreserved				
Undesignated	100,819	846,287	(57,206)	493,921
Total Fund Equity	<u>100,819</u>	<u>907,807</u>	<u>(57,206)</u>	<u>493,921</u>
Total Liabilities and Fund Equity	<u>\$ 1,171,013</u>	<u>\$ 1,350,409</u>	<u>\$ 859,545</u>	<u>\$ 594,895</u>

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

PAJARO VALLEY JOINT UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2000

	Adult Education		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 1,819,175	\$ 1,550,155	\$ (269,020)
Total Revenue Limit Sources	1,819,175	1,550,155	(269,020)
Federal revenues	71,889	123,804	51,915
Other state revenues	150,852	373,857	223,005
Other local revenues	75,994	161,869	85,875
Total Revenues	2,117,910	2,209,685	91,775
EXPENDITURES			
Current Expenditures			
Certificated salaries	1,037,424	1,140,466	(103,042)
Classified salaries	284,576	281,944	2,632
Employee benefits	397,097	381,280	15,817
Books and supplies	234,623	155,897	78,726
Services and operating expenditures	97,703	142,475	(44,772)
Other outgo	90,831	103,296	(12,465)
Capital outlay	148,587	86,785	61,802
Total Expenditures	2,290,841	2,292,143	(1,302)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(172,931)	(82,458)	90,473
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	101,160	166,160	65,000
Other sources (uses)	-	-	-
Total Other Financing Sources/(Uses)	101,160	166,160	65,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(71,771)	83,702	155,473
FUND BALANCE, BEGINNING OF YEAR	90,938	17,117	(73,821)
FUND BALANCE, END OF YEAR	\$ 19,167	\$ 100,819	\$ 81,652

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

Total

\$ 333,918
1,847,835
1,541,498
191,091
61,520
\$ 3,975,862

640,840
783,223
1,106,458
2,530,521

61,520

1,383,821
1,445,341

\$ 3,975,862

Cafeteria			Child Development		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	- \$	- \$	- \$	- \$	- \$
5,492,814	3,585,894	(1,906,920)	1,749,750	1,925,575	175,825
-	256,543	256,543	1,463,380	1,404,773	(58,607)
-	1,566,875	1,566,875	31,000	71,905	40,905
5,492,814	5,409,312	(83,502)	3,244,130	3,402,253	158,123
-	-	-	1,095,277	1,064,955	30,322
1,872,027	1,667,105	204,922	717,467	823,907	(106,440)
1,086,091	824,077	262,014	872,030	752,575	119,455
2,141,169	2,329,339	(188,170)	145,136	108,892	36,244
10,215	(5,764)	15,979	265,987	577,637	(311,650)
254,840	200,304	54,536	131,902	135,087	(3,185)
50,500	115,125	(64,625)	68,582	176,279	(107,697)
5,414,842	5,130,186	284,656	3,296,381	3,639,332	(342,951)
77,972	279,126	201,154	(52,251)	(237,079)	(184,828)
-	-	-	-	156,848	156,848
-	-	-	-	156,848	156,848
77,972	279,126	201,154	(52,251)	(80,231)	(27,980)
628,681	628,681	-	80,351	23,025	(57,326)
\$ 706,653	\$ 907,807	\$ 201,154	\$ 28,100	\$ (57,206)	\$ (85,306)

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2000

	Deferred Maintenance		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	535,000	429,678	(105,322)
Other local revenues	-	17,211	17,211
Total Revenues	535,000	446,889	(88,111)
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	28,000	-	28,000
Employee benefits	2,783	-	2,783
Books and supplies	151,294	33,011	118,283
Services and operating expenditures	381,583	530,423	(148,840)
Other outgo	-	-	-
Capital outlay	437,597	304,574	133,023
Total Expenditures	1,001,257	868,008	133,249
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(466,257)	(421,119)	45,138
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	503,515	503,515	-
Other sources (uses)	-	-	-
Total Other Financing Sources/(Uses)	503,515	503,515	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	37,258	82,396	45,138
FUND BALANCE, BEGINNING OF YEAR	411,525	411,525	-
FUND BALANCE, END OF YEAR	\$ 448,783	\$ 493,921	\$ 45,138

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

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,819,175	\$ 1,550,155	\$ (269,020)
1,819,175	1,550,155	(269,020)
7,314,453	5,635,273	(1,679,180)
2,149,232	2,464,851	315,619
106,994	1,817,860	1,710,866
11,389,854	11,468,139	78,285
2,132,701	2,205,421	(72,720)
2,902,070	2,772,956	129,114
2,358,001	1,957,932	400,069
2,672,222	2,627,139	45,083
755,488	1,244,771	(489,283)
477,573	438,687	38,886
705,266	682,763	22,503
12,003,321	11,929,669	73,652
(613,467)	(461,530)	151,937
604,675	669,675	65,000
-	156,848	156,848
604,675	826,523	221,848
(8,792)	364,993	373,785
1,211,495	1,080,348	(131,147)
\$ 1,202,703	\$ 1,445,341	\$ 242,638

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET JUNE 30, 2000

	Capital Facilities	State School Building	County School Facilities	Total
ASSETS				
Cash	\$ 44,277	\$ -	\$ -	\$ 44,277
Investments	964,752	935,139	5,013,770	6,913,661
Accounts receivable	-	4,656,508	519,545	5,176,053
Due from other funds	-	-	200,924	200,924
Total Assets	<u>\$ 1,009,029</u>	<u>\$ 5,591,647</u>	<u>\$ 5,734,239</u>	<u>\$ 12,334,915</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	126,832	162,414	611,417	900,663
Due to other funds	670,325	2,477,384	1,563	3,149,272
Deferred Revenue	-	-	4,899,113	4,899,113
Total Liabilities	<u>797,157</u>	<u>2,639,798</u>	<u>5,512,093</u>	<u>8,949,048</u>
FUND EQUITY				
Fund balances				
Unreserved				
Designated	-	733,481	-	733,481
Undesignated	211,872	2,218,368	222,146	2,652,386
Total Fund Equity	<u>211,872</u>	<u>2,951,849</u>	<u>222,146</u>	<u>3,385,867</u>
Total Liabilities and Fund Equity	<u>\$ 1,009,029</u>	<u>\$ 5,591,647</u>	<u>\$ 5,734,239</u>	<u>\$ 12,334,915</u>

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

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2000

	Capital Facilities		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other state revenues	\$ -	\$ -	-
Other local revenues	1,424,465	1,724,579	300,114
Total Revenues	1,424,465	1,724,579	300,114
EXPENDITURES			
Current Expenditures			
Books and supplies	-	-	-
Services and operating expenditures	830,371	860,183	(29,812)
Capital outlay	594,094	864,396	(270,302)
Debt service	-	-	-
Total Expenditures	1,424,465	1,724,579	(300,114)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Other sources (uses)	-	-	-
Total Other Financing Sources/(Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	-	-	-
FUND BALANCE, BEGINNING OF YEAR	211,872	211,872	-
FUND BALANCE, END OR YEAR	\$ 211,872	\$ 211,872	\$ -

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

State School Building			County School Facilities		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,540,573	\$ 9,051,183	\$ 4,510,610	\$ 4,633,935	\$ 2,361,958	\$ (2,271,977)
-	139,564	139,564	-	166,346	166,346
4,540,573	9,190,747	4,650,174	4,633,935	2,528,304	(2,105,631)
-	18,906	(18,906)	-	12,729	(12,729)
-	305,682	(305,682)	-	65,931	(65,931)
6,495,678	8,930,584	(2,434,906)	4,633,935	2,410,024	2,223,911
-	572,449	(572,449)	-	-	-
6,495,678	9,827,621	(3,331,943)	4,633,935	2,488,684	2,145,251
(1,955,105)	(636,874)	1,318,231	-	39,620	39,620
848,923	857,372	8,449	-	-	-
8,449	(298,310)	(306,759)	-	(18,398)	(18,398)
857,372	559,062	(298,310)	-	(18,398)	(18,398)
(1,097,733)	(77,812)	1,019,921	-	21,222	21,222
3,029,661	3,029,661	-	200,924	200,924	-
\$ 1,931,928	\$ 2,951,849	\$ 1,019,921	\$ 200,924	\$ 222,146	\$ 21,222

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2000

	Total (memorandum only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other local revenues	\$ 9,174,508	\$ 11,413,141	\$ 2,238,633
Total Revenues	1,424,465	2,030,489	606,024
	10,598,973	13,443,630	2,844,657
EXPENDITURES			
Current Expenditures			
Books and supplies	-	31,635	(31,635)
Services and operating expenditures	830,371	1,231,796	(401,425)
Capital outlay	11,723,707	12,205,004	(481,297)
Debt service	-	572,449	(572,449)
Total Expenditures	12,554,078	14,040,884	(1,486,806)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(1,955,105)	(597,254)	1,357,851
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	848,923	857,372	8,449
Other sources (uses)	8,449	(316,708)	(325,157)
Total Other Financing Sources/(Uses)	857,372	540,664	(316,708)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(1,097,733)	(56,590)	1,041,143
FUND BALANCE, BEGINNING OF YEAR	3,442,457	3,442,457	-
FUND BALANCE, END OR YEAR	\$ 2,344,724	\$ 3,385,867	\$ 1,041,143

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES TRUST AND AGENCY FUNDS COMBINING BALANCE SHEET JUNE 30, 2000

	Expendable Trust Funds			Total Trust and Agency ¹
	Retiree Benefits	Foundation	Total	
ASSETS				
Cash	\$ -	\$ 3,220	\$ 3,220	\$ 596,793
Investments	1,498,187	1,360,972	2,859,159	-
Due from other funds	702,988	-	702,988	-
Total Assets	<u>\$ 2,201,175</u>	<u>\$ 1,364,192</u>	<u>\$ 3,565,367</u>	<u>\$ 596,793</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	-	222,005	222,005	-
Due to student groups	-	-	-	596,793
Total Liabilities	<u>-</u>	<u>222,005</u>	<u>222,005</u>	<u>596,793</u>
FUND EQUITY				
Fund balances				
Unreserved				
Undesignated	2,201,175	1,142,187	3,343,362	-
Total Liabilities and Fund Equity	<u>\$ 2,201,175</u>	<u>\$ 1,364,192</u>	<u>\$ 3,565,367</u>	<u>\$ 596,793</u>

¹Amounts from the Agency Funds - "Combining Statement of Changes in Assets and Liabilities."

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

TRUST FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Retiree Benefits</u>	<u>Foundation</u>	<u>Total</u>
REVENUES			
Local Revenues			
Interest	\$ 74,081	\$ 66,639	\$ 140,720
Other local	702,988	299,044	1,002,032
Total Revenues	<u>777,069</u>	<u>365,683</u>	<u>1,142,752</u>
EXPENDITURES			
Books and Supplies	-	2,486	2,486
Services and operating expense	-	189,519	189,519
Total Expenditures	<u>-</u>	<u>192,005</u>	<u>192,005</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>777,069</u>	<u>173,678</u>	<u>950,747</u>
FUND BALANCE, BEGINNING OF YEAR	<u>1,424,106</u>	<u>968,509</u>	<u>2,392,615</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,201,175</u>	<u>\$ 1,142,187</u>	<u>\$ 3,343,362</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS

COMBINING STATEMENT OF CHANGES IN

ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2000

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
STUDENT ORGANIZATIONS				
ASSETS				
Cash				
Alianza Elementary	\$ 26,056	\$ 59,842	\$ 57,503	\$ 28,395
Amesti Elementary	17,702	27,385	37,578	7,509
Bradley Elementary	2,184	14,581	14,721	2,044
Calabasas Elementary	8,148	23,922	29,997	2,073
Freedom Elementary	9,424	49,459	39,473	19,410
Hall District Elementary	4,574	14,904	8,909	10,569
H. A. Hyde Elementary	493	5,348	3,832	2,009
MacQuiddy Elementary	13,140	21,029	16,597	17,572
Mar Vista Elementary	957	73	1,030	-
Mintie White Elementary	8,374	22,145	20,930	9,589
Ohlone Elementary	1,684	17,654	17,803	1,535
Salispuedes Elementary	11,591	16,819	15,523	12,887
Starlight Elementary	1,680	7,732	8,002	1,410
Aptos Middle School	28,863	93,625	96,762	25,726
E. A. Hall Middle School	20,721	69,184	75,045	14,860
Pajaro Middle School	13,943	85,739	79,495	20,187
Rolling Hills Middle School	19,965	63,242	62,877	20,330
Aptos High School	151,834	842,244	768,603	225,475
Renaissance High School	5,499	14,878	12,366	8,011
Watsonville High School	122,924	545,412	504,190	164,146
Adult Education	2,994	4,183	4,835	2,342
Pacific Coast	-	2,262	1,696	566
New School	-	2,501	2,353	148
Total Assets	<u>\$ 472,750</u>	<u>\$ 2,004,163</u>	<u>\$ 1,880,120</u>	<u>\$ 596,793</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
STUDENT ORGANIZATIONS				
LIABILITIES				
Due to Student Groups				
Alianza Elementary	\$ 26,056	\$ 59,842	\$ 57,503	\$ 28,395
Amesti Elementary	17,702	27,385	37,578	7,509
Bradley Elementary	2,184	14,581	14,721	2,044
Calabasas Elementary	8,148	23,922	29,997	2,073
Freedom Elementary	9,424	49,459	39,473	19,410
Hall District Elementary	4,574	14,904	8,909	10,569
H. A. Hyde Elementary	493	5,348	3,832	2,009
MacQuiddy Elementary	13,140	21,029	16,597	17,572
Mar Vista Elementary	957	73	1,030	-
Mintie White Elementary	8,374	22,145	20,930	9,589
Ohlone Elementary	1,684	17,654	17,803	1,535
Salispuedes Elementary	11,591	16,819	15,523	12,887
Starlight Elementary	1,680	7,732	8,002	1,410
Aptos Middle School	28,863	93,625	96,762	25,726
E. A. Hall Middle School	20,721	69,184	75,045	14,860
Pajaro Middle School	13,943	85,739	79,495	20,187
Rolling Hills Middle School	19,965	63,242	62,877	20,330
Aptos High School	151,834	842,244	768,603	225,475
Renaissance High School	5,499	14,878	12,366	8,011
Watsonville High School	122,924	545,412	504,190	164,146
Adult Education	2,994	4,183	4,835	2,342
Pacific Coast	-	2,262	1,696	566
New School	-	2,501	2,353	148
Total Liabilities	<u>\$ 472,750</u>	<u>\$ 2,004,163</u>	<u>\$ 1,880,120</u>	<u>\$ 596,793</u>

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

SUPPLEMENTARY INFORMATION

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/Pass-Through Grantor/Program	Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Basic Education			
Base Grant	84.002	03055	\$ 123,804
Public Charter Schools	84.282	03150	30,574
Education Technology Literacy Grant	84.318	03285	43,294
21st Century Community Learning Centers Program	84.000	10042	432,498
Elementary and Secondary Education Act			
Title I Part A - Grants to Local Educational Agencies ^[1]	84.010	03797	2,130,069
Title I Comprehensive School Reform ^[1]	84.010	03966	326,321
Migrant Education ^[1]	84.011	03628	3,629,230
Title II - Eisenhower Math and Science	84.281	03207	45,073
Title IV - Safe and Drug-Free Schools	84.184	10007	85,786
Title VI - Class Size Reduction (CSR)	84.298	03073	393,762
Title VI - Innovative Education Strategies	84.298	03340	78,142
Title VII - Bilingual Education Cluster:			
Program Enhancement Grants	84.289	10008	339,793
Development & Implementation			150,636
Comprehensive School Grants	84.290	10008	771,126
Emergency Immigrant Education	84.162	03159	172,718
Goals 2000 Reading Instruction Development Grant, K-8	84.276	03264	58,719
Individuals with Disabilities Education Act Special Education Cluster :			
Local Assistance	84.027	03379	1,181,559
Infant Discretionary	84.027	03612	31,121
Personnel Development	84.027	03613	11,470
Preschool Entitlement	84.027	03682	124,529
Low Incidence	84.027	03459	11,010
Regional Match	84.029	03815	322
Federal Preschool	84.173	03430	41,560
Preschool - Staff Development	84.173	03431	1,100
Early Intervention	84.181	03761	246,523

[1] Tested as a major program under OMB Circular A-133 guidelines

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/Pass-Through Grantor/Program	Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION (CONTINUED)			
Vocational and Applied Technology Education Act - Carl D. Perkins			
Secondary Education	84.048	03577	97,486
Vocational and Applied Sex Bias	84.048	03570	8,673
Passed through Cabrillo Community College District Vocational and Applied Technology Education Act - Carl D. Perkins	84.028	03582	1,576
Subtotal			<u>10,568,474</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Environmental Justice Grants	66.604		<u>5,568</u>
U.S. DEPARTMENT OF LABOR			
Joint Training Partnership Act	17.250	03770	<u>10,387</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Commodity Fair Market Value ^[1] ^[2]	10.555	03396	203,611
National School Lunch Program ^[1]	10.555	03396	2,838,092
Basic School Breakfast Program ^[1]	10.553	03390	14,899
Especially Needy Breakfast ^[1]	10.553	03390	577,659
Food Distribution ^[1]	10.550	03389	12,561
Child Care Food Program ^[1]	10.558	03393	142,683
Subtotal			<u>3,789,505</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medical Administrative Assistance	93.778	10013	16,745
LEA Medi-Cal Billing Option	93.778	10013	10,509
Migrant Head Start	93.600	10016	1,925,575
Subtotal			<u>1,936,084</u>
Total Federal Programs			<u>\$ 16,310,018</u>

[1] Tested as a major program under OMB Circular A-133 guidelines

[2] Excluded from the district's financial statements

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF THE OFFICE OF CRIMINAL JUSTICE PLANNING GRANTS FOR THE YEAR ENDED JUNE 30, 2000

The Office of Criminal Justice Planning Grantee Handbook requires that expenditures by category be presented in the fiscal year end reports. This schedule was prepared to comply with this requirement.

7/1/1999-60/30/2000
Grant No. GD 990221082

REVENUES

State

State match

EXPENDITURES

Personal services

Operating expenses

Budget	Actual	Balance
\$ 103,500	\$ 103,500	\$ -
25,875	25,875	-
		-
97,957	97,957	-
31,418	31,418	-
<u>\$ 129,375</u>	<u>\$ 129,375</u>	<u>\$ -</u>

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2000

	Second Period ADA	Annual ADA
ELEMENTARY		
Kindergarten	1,500	1,510
First through third	4,644	4,696
Fourth through sixth	4,252	4,290
Seventh and eighth	2,574	2,604
Opportunity schools	26	25
Home and hospital	5	6
Community day school	6	6
Special education	225	228
Total Elementary	13,232	13,365
SECONDARY		
Regular classes	4,585	4,608
Continuation education	165	162
Home and hospital	10	11
Special education	165	163
Community day school	24	23
Total Secondary	4,949	4,967
Total K-12	18,181	18,332
CLASSES FOR ADULTS		
Concurrently enrolled	18	18
Not concurrently enrolled	737	710
Adults in correctional facilities	37	37
Total Classes for Adults	792	765
Grand Total	18,973	19,097
		Hours of Attendance
SUMMER SCHOOL		
Elementary		280,008
High School		177,943
Total Hours		457,951

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2000

<u>Grade Level</u>	<u>1986-1987 Minutes Requirement</u>	<u>1982-1983 Actual Minutes</u>	<u>1999-2000 Actual Minutes</u>	<u>Status</u>
Kindergarten	36,000	31,500	36,532	In Compliance
Grades 1 - 3	50,400	42,000	51,043	In Compliance
Grades 4 - 8	54,000	52,500	54,408	In Compliance
Grades 9 - 12	64,800	59,500	66,068	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, 2000

Summarized below are the fund balance reconciliations between the Annual Financial Budget Report (J-200) and the audited financial statements.

	General	Adult Education	Cafeteria	Child Development
FUND BALANCE				
Balance, June 30, 2000, (Form J-200)	\$ 8,674,635	\$ 153,985	\$ 845,822	\$ 80,351
Increase in:				
Receivables	-	20,655	61,985	-
Due from other funds	(73,821)	-	-	-
Due to other funds	-	(73,821)	-	-
Decrease in:				
Cash in County Treasury	-	-	-	(137,557)
 Balance, June 30, 2000, Audited Financial Statements	 \$ 8,748,456	 \$ 100,819	 \$ 907,807	 \$ (57,206)

	General Long- Term Debt Account Group
GENERAL LONG-TERM LIABILITIES	
Total Liabilities, June 30, 2000, (Form J-249)	\$ 13,991,101
Adjustments	
Increase in:	
Compensated absences <i>Vacation</i>	297,185
Postemployment benefits <i>Retiree</i>	1,299,166
Other general long-term debt	2,062,129
Decrease in:	
State school building loans	(38,054)
Obligations under capital leases	(63,191)
Audited Total Liabilities, June 30, 2000	\$ 17,548,336

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2000

	(Budget) 2001 ¹	2000	1999	1998
GENERAL FUND				
Revenues	\$ 136,676,672	\$ 121,653,329	\$ 111,357,506	\$ 103,992,311
Other sources and transfers in	1,367,405	-	67,277	
Total Revenues and Other Sources	138,044,077	121,653,329	111,424,783	103,992,311
Expenditures	135,956,841	122,889,830	110,022,975	99,390,349
Other uses and transfers out	2,499,707	1,719,913	3,148,208	1,482,050
Total Expenditures and Other Uses	138,456,548	124,609,743	113,171,183	100,872,399
INCREASE/(DECREASE) IN FUND BALANCE	(412,471)	(2,956,414)	(1,746,400)	3,119,912
ENDING FUND BALANCE	\$ 8,335,985	\$ 8,748,456	\$ 11,704,870	\$ 13,451,270
AVAILABLE RESERVES ²	\$ 4,740,568	\$ 4,732,924	\$ 9,844,480	\$ 12,193,763
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.42%	3.80%	8.70%	12.09%
LONG-TERM DEBT	\$ 20,249,295	\$ 17,548,336	\$ 16,614,563	\$ 13,991,101
AVERAGE DAILY ATTENDANCE AT P-2 ³	18.501	18.181	18.091	18.126

The general fund balance has decreased by \$4,702,814 over the past two years. The fiscal year 2000-2001 budget projects a decrease of \$412,471. For a district this size, the State recommends available reserves of at least 2 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2000-2001 fiscal year. Total long-term debt has increased by \$3,557,235 over the past two years.

Current year average daily attendance (ADA) increased by 90. Comparisons with the 1998 year are not meaningful due to the change in method of calculating ADA, whereby excused absences in 1999 are no longer counted for apportionment purposes. It is anticipated that there will be 320 growth in the ADA during fiscal year 2000-01.

1. Budget 2001 is included for analytical purposes only and has not been subjected to audit.

2. Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund.

3. Excludes Adult Education ADA.

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2000

NOTE #1 - PURPOSE OF SCHEDULES

A. 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*.

B. Summary of the Office of Criminal Justice Planning Grants

This schedule summarizes the financial activity of the District's grants issued by the office of Criminal Justice Planning Grants. This schedule also complies with the Grantee Handbooks' requirement that expenditure by category be presented in the fiscal year end report.

C. 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.

D. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The 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 46201 through 46206.

Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirement, whichever is greater, as required by Education Code Section 46201.

E. 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 Form J-200 to the audited financial statements.

F. 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 amount of time.

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants & Consultants

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

**Board of Trustees
Pajaro Valley Unified School District
Watsonville, California**

We have audited the financial statements of Pajaro Valley Unified School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 22, 2000. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standard*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pajaro Valley Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pajaro Valley Unified School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2000-1 and 2000-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

This report is intended for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavrinek Trine Day & Co. LLP

San Jose, California
November 22, 2000



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

Board of Trustees
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, 2000. Pajaro Valley Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on 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, 2000.

Internal Control Over Compliance

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Varnick Trine Day & Co. LLP

San Jose, California
November 22, 2000



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Pajaro Valley Unified School District
Watsonville, California

We have audited the financial statements of the Pajaro Valley Unified School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 22, 2000. In our report, our opinion was qualified because the Pajaro Valley Unified School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 opinion.

The management of Pajaro Valley Unified School District is responsible for compliance with laws and regulations. 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 laws and regulations of the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	4	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	Yes
Continuation education	13	Yes
Adult education	8	Yes
Regional occupational centers/programs	5	Not Applicable
County Office of Education programs	9	Not Applicable
Incentives for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not Applicable
GANN limit calculation	2	Yes

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	No
Class size reduction program:		
Option one classes	12	Yes
Option two classes	11	Not Applicable
Both options one and two classes	17	Not Applicable
Reduce class size in two courses in grade 9	8	Yes
State instructional materials fund (K-8)	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital High School Education Technology Grant Program	5	Yes
Office of Criminal Justice Planning	-	No

We did not perform testing for Community day schools because the reported ADA is below the minimum threshold. Additionally, we did not perform testing for the Office of Criminal Justice Planning because the grant is administered and audited through the Pajaro Valley Prevention and Student Assistant, Inc.

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.

Vannick Trine Jay & Co. LLP

San Jose, California
November 22, 2000

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2000

FINANCIAL STATEMENTS

Type of auditors' report issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?

No

Reporting condition(s) identified not considered to be material weaknesses?

Yes

Noncompliance material to financial statements noted?

No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

No

Reporting condition(s) identified not considered to be material weaknesses?

None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.011

Migrant Education

84.010

Title I

10.555

National School Lunch

10.553

Especially Needy Breakfast

10.550

Food Distribution

10.558

Child Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 489,300

Auditee qualified as low-risk auditee?

No

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified?

No

Reporting condition(s) identified not considered to be material weaknesses?

None Reported

Type of auditors' report issued on compliance for state programs:

Unqualified

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

The following findings represent reportable conditions, related to the financial statements that are required to be reported in accordance with generally accepted government audit standards. The findings have been coded as follows:

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

2000-1 Finding (30000)

Cash received at the District Office from the sites is not counted at the time the cash is submitted. The site's transmittal total is logged as the actual cash received, and the cash is not counted until a deposit is made. The sites do not receive a receipt from the District until after the cash has been counted which is typically several days later.

Recommendation

When cash is received at the District Office, it should be counted at the time it is received, and a receipt should be issued to the person who submitted the cash. Any discrepancies can then be resolved with both parties in agreement as to the amount of cash that was submitted.

2000-2 Finding (30000)

Site administrators do not perform a physical count of all equipment located at their site. As a result, differences between book records and actual quantities on hand are not investigated. In addition, five of seven items that were selected at various sites could not be located in the District's equipment filing system.

Recommendation

A physical count of all equipment should be performed at least once a year. Any discrepancies between the District's book records and actual equipment on hand should be investigated and resolved. A list of equipment should be maintained so that the District knows what equipment is assigned to each location. The list should include location, date purchased, cost of purchase, purchase order, a description of the property, and the funding source of the equipment. The list should be updated at least once a year to agree to the physical count that is performed at each site.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000**

There were no findings that represent reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000**

There were no findings that represent instances of noncompliance or questioned costs relating to state program laws and regulations.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

CASH CLEARING

1999-1 Finding (30000)

Cash received at the District Office from the sites is not counted at the time the cash is submitted. The site's transmittal total is logged as the actual cash received, and the cash is not counted until a deposit is made. The sites do not receive a receipt from the District until after the cash has been counted which is typically several days later.

Recommendation

When cash is received at the District Office, it should be counted at the time it is received, and a receipt should be issued to the person who submitted the cash. Any discrepancies can then be resolved with both parties in agreement as to the amount of cash that was submitted.

Current Status

Not implemented. See Current year's finding 2000-1.

BANK ACCOUNTS

1999-2 Finding (30000)

The Wells Fargo Bank and Bank of America bank balances exceed the \$100,000 amount insured by the Federal Deposit Insurance Corporation (FDIC). The District has not obtained a collateralization agreement from the financial institution stating amounts exceeding the FDIC are insured. Pursuant Education Code Section 41002.5 states that money received by school districts may be deposited in a bank or other financial institution whose accounts are federally insured.

Recommendation

The District should redistribute any amount in excess of \$100,000 to another financial institution to come within the \$100,000 limit or request that all the District's deposits be collateralized.

Current Status

Implemented.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

REVOLVING CASH FUNDS

1999-3 Findings (30000)

During our audit of revolving cash, we noted the following:

- 1) The Linscott Charter School RCF is not reconciled to its imprest amount. In addition, a check from a grant was deposited into its bank account. As a result, the fund's bank balance exceeds its established imprest amount by approximately \$6,000.
- 2) One of the signers for the Payroll RCF and the Accounting RCF is also the person who accounts for the activity of the Payroll RCF.

Recommendation

All revolving cash funds should be reconciled on a monthly basis and in a timely manner. Each revolving cash fund should be reconciled to the amount that is approved by the Board. The Board should approve any changes in these amounts before they are implemented. Revolving funds should not exceed the Board-approved imprest amount. Segregation of duties should be observed so that no single individual performs more than one of the following functions: recording of data; reconciliation, and custody or access to the assets.

Current Status

Implemented.

1999-4 Finding (30000)

The District has issued credit cards to the superintendent and assistant superintendent and is in the process of issuing many more to sites for small purchases. A policy is being developed for the credit cards that are not yet in use. Upon examination of existing credit card usage, the charges noted appeared reasonable, and receipts appeared to be consistently submitted. However, there is currently no policy regarding the types of expenditures or the approval process for those expenditures for the existing credit cards.

Recommendation

A formal policy should be developed for the existing District-issued credit cards. This policy should delineate appropriate usage, required approvals, timeliness of submitting receipts, and any other relevant data the District may wish to incorporate.

Current Status

Implemented.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

STATE SCHOOL BUILDING PROJECTS

1999-5 Finding (30000)

Notices of completion were filed on several projects in February 1999. As of our audit date in September 1999, final SAB 184 forms had not been filed with the State.

Recommendation

In order to guard against costs being disallowed by the state for late filings, final SAB 184 forms should be filed immediately.

Current Status

Implemented.

EQUIPMENT

1999-6 Finding (30000)

Site administrators do not perform a physical count of all equipment located at their site. As a result, differences between book records and actual quantities on hand are not investigated. In addition, five of seven items that were selected at various sites could not be located in the District's equipment filing system.

Recommendation

A physical count of all equipment should be performed at least once a year. Any discrepancies between the District's book records and actual equipment on hand should be investigated and resolved. A list of equipment should be maintained so that the District knows what equipment is assigned to each location. The list should include location, date purchased, cost of purchase, purchase order, a description of the property, and the funding source of the equipment. The list should be updated at least once a year to agree to the physical count that is performed at each site.

Current Status

Not Implemented. See current year finding 2000-02.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

ASSOCIATED STUDENT BODY (ASB)

Watsonville High School, Renaissance Continuation High School, Hall District Elementary School, MacQuiddy Elementary School, Pajaro Middle School, Aptos Junior High School, E. A. Hall Middle School and Aptos High School.

1999-7 Finding (30000)

Revenue potential forms are not used to document and monitor fundraising activities. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

The revenue potential form should be prepared for all major fundraisers to provide accountability for the amount that should have been collected for sales and for those items that were not sold. The form is also used to document overages and shortages or losses of merchandise. The site administrator should ensure that these forms are completed and turned in to the conclusion of the fundraiser. The District should develop guidelines as to what dollar amounts are considered material enough to warrant revenue potential forms for each of the sites.

Watsonville High School and Renaissance Continuation High School

Current Status

Implementation in progress.

1999-8 Finding (30000)

In reviewing the cash disbursement procedures at the sites, we noted that the purchase orders are issued and approved after the invoice and merchandise is received. At Watsonville High School, seven of 16 disbursements tested were approved after the invoice date. At Renaissance Continuation High School, approvals were consistently several months after purchases were made for all expenditures.

Recommendation

A student representative, a certificated employee of the site, and an administrative employee of the site should approve all student body expenditures before any commitment to purchase goods or services has been made.

Current Status

Implementation in progress.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Watsonville High School

1999-9 Finding (30000)

During our test of cash receipts, we noted a deposit that was \$60 short of the amount on the corresponding receipt. We also noted that \$1,124 was collected on December 18, 1998, but was not deposited until January 22, 1999.

Recommendation

Cash receipts should be deposited in a timely manner. The District should establish guidelines for the sites to follow with respect to how often deposits should be made for a given volume of activity. All funds that are collected should be deposited intact. Discrepancies should be investigated.

Current Status

Implementation in progress.

1999-10 Finding (30000)

The ASB bookkeeper performs recording and reconciliation functions and is also one of the authorized signers on the bank account. As a result, there is no segregation of duties. Deposits are approximately \$2,000.

Recommendation

The ASB bookkeeper should not be an authorized signer on any bank account that he or she maintains and/or reconciles.

Current Status

Implementation in progress.

Pajaro Middle School, Hall District Elementary School and MacQuiddy Elementary School

1999-11 Finding (30000)

Prenumbered receipt books are not used for cash collected by the site personnel. Cash collections are documented by the ASB bookkeeper through the use of a transmittal. However, the transmittal forms are not completed at the time the cash is collected.

Recommendation

Prenumbered receipts should be used to document cash collections to provide adequate internal controls over cash. Without prenumbered receipts, there is no documentation that cash is deposited intact.

Current Status

Implementation in progress.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

MacQuiddy Elementary School and Pajaro Middle School

1999-12 Finding (30000)

The site has vending machines that are controlled and stocked by site personnel. Currently, there is no reconciliation or accounting for the total funds that should have been collected from the machine based on the number of cans sold since the last time the machine was stocked.

Recommendation

A vending machine sales analysis should be completed by whomever has responsibility for collecting the money from the machine and stocking it. This form should be forwarded to the bookkeeper along with the cash deposit given to the bookkeeper from the machine. The form should track the merchandise purchases to stock the machine, the item counts each time the machine is restocked, and the potential revenue that should have been collected from the machine based on the number of items sold for the period and the price of the items.

Current Status

Implementation in progress.

Aptos Junior High School

1999-13 Finding (30000)

Prenumbered receipt books are not used for cash collected by site personnel. Cash collections are being documented by the ASB bookkeeper/office manager through the use of a transmittal; however, the transmittal forms were not being completed at the time of the cash collection.

Recommendation

Prenumbered receipts should be used to document cash collections to provide good internal controls over cash. It is recommended that the use of the transmittal continue, as it provides important information to the ASB bookkeeper/office manager as to the source of revenue and the amount that is being deposited.

Current Status

Implementation in progress.

1999-14 Finding (30000)

It was also noted that expenditures for less than \$250 did not have the three required signatures.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Recommendation

The site should review the cash disbursement procedures outlined in the California Department of Education's manual titled, "Accounting and Procedures for Student Organizations." The manual explains that three signatures, one being a student representative, are required pursuant to California Educational Code Section 48933(b) on all disbursements from a student body account and that documents supporting a disbursement should be kept in organized files with the student body bookkeeper so that they can be easily reviewed should the need arise.

Current Status

Implementation in progress.

Aptos Junior High School and Aptos High School

1999-15 Finding (30000)

A ticket sales recap form is not prepared and submitted with the remaining tickets and cash collections to the ASB bookkeeper/office manager. Therefore, the bookkeeper could not reconcile the number of tickets sold to the actual cash submitted for deposit.

Recommendation

A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit and forwarded to the ASB bookkeeper/office manager. The recaps also document overages and shortages of cash and informs site personnel about potential problems in cash collections. The form should be filed along with the deposit form and other pertinent documents as supporting documentation for the cash collections.

Current Status

Implementation in progress.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Aptos High School

1999-16 Finding (30000)

Tickets are not being used for revenue control during the athletic events and other events where ticket use would be appropriate. The student body has access to tickets; however, they are either not being used or not being used properly. When tickets are used, a summary is not submitted to the bookkeeper to reconcile the number of tickets sold to the actual cash collected. Therefore, there is no revenue control for ticket events.

Recommendation

Tickets should be used for all events for which an admission is charged. After the event, a ticket summary should be completed that indicates the number of tickets sold and at what price. The amount should then be compared to an itemized report of the cash collected and an overage/shortage should be indicated. This will strengthen the controls over cash collected from ticket events and provide assurance all revenue has been collected.

Current Status

Implementation in progress.

1999-17 Finding (30000)

There are no controls in place over vending machine revenue. As the money is taken out of the machines, it is counted and turned into the ASB bookkeeper. There are no procedures in place to assist site personnel in determining that all money collected by the machines is turned into the ASB Office.

Recommendation

A vending machine sales analysis should be performed monthly. The analysis includes determining the amount of inventory that is available during the month and subtracting that from the actual inventory at the end of the month. This should be the number of units that were sold during the month. This should be the number of units that were sold during the month. By knowing the number of units sold, site personnel can determine how much money should have been collected and compare that to the actual amount turned into the bookkeeper.

Current Status

Implementation in progress.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Pajaro Middle School

1999-18 Findings (30000)

The following deficiencies exist in the internal control structure of the student store operated by the student body:

- 1) Sales analysis forms are not prepared to document sales by day or week.
- 2) An inventory record is not maintained for merchandise sold or purchased.

Recommendations

Current Status

- 1) The student body should submit a sales analysis form with every deposit and maintain a perpetual inventory of goods purchased and sold.
- 2) The student body should perform a physical inventory count at least quarterly and create a separate subledger account for student store transactions only. The snack bar account should document transactions regarding the sales and purchases of the snack bar. This would allow the profitability of the snack bar to be analyzed during the year.

Implementation in progress.

ATTENDANCE

Linscott Charter School, Alianza Charter School, Renaissance Continuation High School and MacQuiddy Elementary School, Aptos Junior High School

1999-19 Finding (30000)

The forms teachers use to record daily attendance data are not certified by the teachers on a consistent basis. The auditors noted no instances where it appeared that the recorded attendance data was incorrectly accumulated as a result of the finding noted, and no adjustment of ADA is prescribed. Consistent certification of the daily attendance data does enhance the internal control over this important process.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Recommendation

The Education Code requires that a credentialed employee take attendance. The signature of the teacher demonstrates this and also serves as certification by the teacher that the information contained on this source document is accurate to the best of his or her knowledge.

Pajaro Middle School, Hall District Elementary School, and MacQuiddy Elementary School

Current Status

Implemented

1999-20 Finding (30000)

During our attendance testing, we have noted that perpetual enrollment is not maintained. As a result, a reconciliation of actual attendance to the enrollment report does not occur. The reconciliation of perpetual enrollment data to the monthly attendance data at each site is not, in and of itself, a critical procedure in accumulating the ADA. However, such reconciliation does provide an additional measure of control over the attendance gathering procedure. We did not note any instances where it was apparent that the reported units of attendance were misstated. The results of other attendance-related audit procedures performed satisfy us that recorded ADA was properly accumulated.

Recommendation

In order to ensure that the monthly attendance report is correct, the site should maintain a perpetual enrollment log. The data recorded on the monthly attendance report should be reconciled every month with the ending enrollment amount indicated on the enrollment log.

Current Status

Implemented.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Adult School

1999-21 Finding (30000)

During our review of the Adult Education sign-in sheets and attendance scan sheets, we noted the following control deficiency:

Students do not sign out when they leave the class; thus, there is no second check on the actual amount of time spent in class by the student. The auditors did compare sign-in sheets with the attendance scan sheets and noted agreement with the individuals listed in the classes. The auditors further noted that it appears that the teacher is taking the actual hourly attendance as we noted instances where a student did not receive attendance credit for the full period. This finding is intended to enhance the District's control over attendance reporting at the Adult School. The auditors noted no indication of overstatement of attendance hours.

Recommendation

The District should institute the process of providing a sign-out sheet for all students in the Adult School so as to provide a better means of documenting the student's attendance for the hours recorded.

Current Status

Implemented.

Renaissance Continuation High School

1999-22 Finding (30000)

Continuation education students who are regularly employed must attend a minimum of four 60-minute hours per week (Education Code Section 48400). If this requirement is met, these students are eligible to earn up to an additional 10 hours of apportionment attendance per week for work experience (Title 5, California Code of Regulations, Section 405). However, excused absences are not acceptable for fulfilling this requirement. It appears it is the policy of the Continuation School not to give the eligible students the 10 additional hours of credit for work experience; therefore, they are not claiming all hours earned for apportionment purposes.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Recommendation

Current Status

The District should review the policies and procedures regarding the 10 additional hours of credit for eligible students participating in the "Outside Work Experience" program. The Continuation School should be claiming all hours they are entitled to.

Not Implemented.

SITE CASH

Pajaro Middle School and Hall District Elementary School

1999-23 Findings (30000)

During our audit of site cash collection procedures, we noted the following:

- 1) Prenumbered receipts for cash received are not consistently written.
- 2) The prenumbered receipts are not used in sequence.
- 3) The transmittal of cash collections to the District Office is not consistently timely.

Recommendations

Current Status

- 1) All site cash collections should be receipted intact and in a timely manner.
- 2) The prenumbered receipts should be used in a sequential order.
- 3) Site cash collections should be transmitted to the District Office on a regular basis and in a timely manner.

Implementation in progress.

Alianza Elementary School

1999-24 Findings (30000)

During our audit of cash collections, we noted the following:

- 1) Prenumbered receipts are not issued for all cash collections received by the librarian.
- 2) Deposits to the ASB library account do not include the backup to determine that all cash collected was deposited with the ASB bookkeeper.
- 3) Refunds are given in cash to students and receipts are voided.
- 4) Lost/damaged book fines are deposited to the library's ASB account and not submitted to the District Office.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

Recommendation

The District should provide assistance to site personnel regarding good internal controls over cash collections. Procedures should include, but not be limited to prenumbered receipts written for all cash collections, duplicate copies of receipts should support deposit transmittals, and refunds should be processed through the disbursement procedures. Also, lost/damaged library book cash collections should be submitted to the District Office and abated to the site expenditure budget.

Current Status

Implementation in progress.

Watsonville High School and MacQuiddy Elementary School

1999-25 Finding (30000)

Cash collected for lost or damaged books, copies made in the library, and overdue fines are not being forwarded to the District. The cash collected is used to purchase used books for the library. This circumvents the District's procedures for purchasing goods.

Recommendation

The money collected at the site for these expenditures should be submitted to the District intact and in a timely manner. Purchases of books for the school library should go through the District's purchasing system and be subject to the internal controls that exist within that system.

Current Status

Implementation in progress.

Aptos High School

1999-26 Finding (30000)

The District has not received fees received at Aptos High School for facility usage for several months. The ASB bookkeeper was unsure whether six events totaling \$2,435 had been submitted to the District or not.

Recommendation

All fees collected for facility usage at the sites should be submitted to the District. Adequate documentation should be maintained to verify that fees have been submitted intact and in a timely manner.

Current Status

Implementation in progress.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2000

1999-27 Finding (30000)

Cash collected for lost/damaged books, copies made in the library, and overdue fines are not being forwarded to the District. The cash collected is used to purchase used books for the library. This circumvents the District's procedures for purchasing goods.

Recommendation

The money collected at the site for these expenditures should be submitted so that the site's expenditure budget can be revised.

Current Status

Implementation in progress.

1999-28 Finding (40000)

Compliance with the minimum instructional minute requirements has not been monitored at the District. Any instances of noncompliance with the requirements would result in the District having to repay funding to the State.

Recommendation

The District should monitor each site's instructional minutes to ensure compliance with the State-funded Longer Instructional Day and Year programs. Any instances of noncompliance should be corrected before the end of each fiscal year.

Current Status

Not implemented, but District has complied with instructional minutes requirements.

Hall District Elementary School

1999-29 Finding (40000)

Independent study contracts are not used when a student receives a credit for attending independent study program. As a result, funding could be disallowed for any average daily attendance (ADA) that is not supported by contracts that contain all required elements.

Recommendation

The independent study contract is required to be complete and comply with state requirements in order for the District to receive ADA funding for independent study.

Current Status

Implemented.