



**PAJARO VALLEY UNIFIED
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2001**

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

OF SANTA CRUZ COUNTY

WATSONVILLE, CALIFORNIA

JUNE 30, 2001

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dan Hankemeier	President	2004
Carol Roberts	Vice President	2004
Evelyn Volpa	Clerk	2002
Willie Yahiro	Member	2002
Roberto Garcia	Member	2002
Sandra Nichols	Member	2004
Sharon Gray	Member	2002

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 a small contiguous part 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.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2001

SECTION I - GENERAL-PURPOSE FINANCIAL STATEMENTS

Independent Auditors' Report	I.1
All Fund Types and Account Group	
Combined Balance Sheet	I.3
All Governmental Fund Types and Expendable Trust Funds	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance	I.4
All Budgeted Governmental Fund Types	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I.5
Proprietary Fund Type	
Statement of Revenues, Expenses and Changes in Retained Earnings	I.7
Statement of Cash Flows	I.8
Notes to Financial Statements	I.9

SECTION II - COMBINING FINANCIAL STATEMENTS

Special Revenue Funds	
Combining Balance Sheet	II.1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	II.2
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	II.3
Capital Projects Funds	
Combining Balance Sheet	II.5
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	II.6
Budgeted Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	II.7
Fiduciary Funds	
Combining Balance Sheet	II.8
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	II.9
Combining Statement of Changes in Assets and Liabilities	II.10

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2001

SECTION III - SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	III.1
Schedule of Average Daily Attendance	III.3
Schedule of Instructional Time	III.4
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	III.5
Schedule of Financial Trends and Analysis	III.6
Note to Supplementary Information	III.7

SECTION IV - INDEPENDENT AUDITORS' REPORTS

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	IV.1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	IV.3
Report on State Compliance	IV.5

SECTION V - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	V.1
Financial Statement Findings	V.2
Federal Award Findings and Questioned Costs	V.4
State Award Findings and Questioned Costs	V.5
Summary Schedule of Prior Audit Findings	V.6



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, 2001, 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, 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 accounting principles generally accepted in the United States of America. 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, 2001, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2001, 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 financial and statistical 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.

Vannick Trine Day & Co. LLP

San Jose, California
October 25, 2001

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

ALL FUND TYPES AND ACCOUNT GROUP COMBINED BALANCE SHEET JUNE 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS			
Cash	\$ 583,283	\$ 54,059	\$ -
Investments	3,312,682	1,885,118	30,996
Accounts receivable	9,944,887	2,326,053	-
Due from other funds	5,115,281	161,622	-
Stores inventory	273,268	56,934	-
Amount available for the retirement of general long-term debt	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-
Total Assets	<u>\$ 19,229,401</u>	<u>\$ 4,483,786</u>	<u>\$ 30,996</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 3,660,463	\$ 1,135,201	\$ -
Due to other funds	1,334,111	1,890,462	-
Deferred revenue	2,888,816	711,140	-
Due to student groups	-	-	-
Claims liability	-	-	-
General long-term debt	-	-	-
Total Liabilities	<u>7,883,390</u>	<u>3,736,803</u>	<u>-</u>
FUND EQUITY			
Retained earnings	-	-	-
Fund balances			
Reserved	4,807,888	56,934	-
Unreserved			
Designated	-	-	-
Undesignated	6,538,123	690,049	30,996
Total Fund Equity	<u>11,346,011</u>	<u>746,983</u>	<u>30,996</u>
Total Liabilities and Fund Equity	<u>\$ 19,229,401</u>	<u>\$ 4,483,786</u>	<u>\$ 30,996</u>

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

Governmental Fund Types	Proprietary Fund Types	Fiduciary Fund Types	Account Group	Total (Memorandum Only)
Capital Projects	Internal Service	Trust and Agency	General Long-Term Debt	
\$ 7,289	\$ 762,892	\$ 645,005	\$ -	\$ 2,052,528
8,685,049	1,237,344	3,747,592	-	18,898,781
2,067,292	900,000	-	-	15,238,232
1,665,410	-	719,475	-	7,661,788
-	-	-	-	330,202
-	-	-	2,458,333	2,458,333
-	-	-	18,776,094	18,776,094
<u>\$ 12,425,040</u>	<u>\$ 2,900,236</u>	<u>\$ 5,112,072</u>	<u>\$ 21,234,427</u>	<u>\$ 65,415,958</u>
\$ 755,393	\$ -	\$ 235,875	\$ -	\$ 5,786,932
3,534,397	2,463	900,355	-	7,661,788
7,078,142	-	-	-	10,678,098
-	-	639,872	-	639,872
-	2,183,509	-	-	2,183,509
-	-	-	21,234,427	21,234,427
<u>11,367,932</u>	<u>2,185,972</u>	<u>1,776,102</u>	<u>21,234,427</u>	<u>48,184,626</u>
-	714,264	-	-	714,264
-	-	-	-	4,864,822
294,700	-	-	-	294,700
762,408	-	3,335,970	-	11,357,546
<u>1,057,108</u>	<u>714,264</u>	<u>3,335,970</u>	<u>-</u>	<u>17,231,332</u>
<u>\$ 12,425,040</u>	<u>\$ 2,900,236</u>	<u>\$ 5,112,072</u>	<u>\$ 21,234,427</u>	<u>\$ 65,415,958</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, 2001

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 39,993,475	\$ 1,681,468	\$ -
Local sources	43,662,104	-	-
Total Revenue Limit Sources	83,655,579	1,681,468	-
Federal revenues	13,664,962	6,946,322	-
Other state revenues	39,274,862	3,045,170	-
Other local revenues	4,093,696	1,952,753	(104)
Tuition and transfers	875,942	-	-
Total Revenues	141,565,041	13,625,713	(104)
EXPENDITURES			
Current Expenditures			
Certificated salaries	65,329,755	2,592,121	-
Classified salaries	21,324,475	3,126,142	-
Employee benefits	25,926,810	2,193,266	-
Books and supplies	6,761,864	2,933,538	-
Services and operating expenditures	12,622,830	2,003,708	-
Other outgo	402,449	469,957	-
Capital outlay	5,961,820	1,835,132	-
Debt service - interest and other	921,206	136,537	-
Total Expenditures	139,251,209	15,290,401	-
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	2,313,832	(1,664,688)	(104)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	604,675	-
Operating transfers out	(604,675)	-	-
Other sources	888,398	361,655	-
Total Other Financing Sources/(Uses)	283,723	966,330	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	2,597,555	(698,358)	(104)
FUND BALANCE, BEGINNING OF YEAR	8,748,456	1,445,341	31,100
FUND BALANCE, END OF YEAR	\$ 11,346,011	\$ 746,983	\$ 30,996

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

Governmental Fund Types	Fiduciary Fund Type	Total
Capital Projects	Expendable Trust	(Memorandum Only)
\$ -	\$ -	\$ 41,674,943
-	-	43,662,104
-	-	85,337,047
-	-	20,611,284
7,956,398	-	50,276,430
2,279,471	359,861	8,685,677
-	492,548	1,368,490
10,235,869	852,409	166,278,928
-	-	67,921,876
-	-	24,450,617
-	-	28,120,076
15,407	-	9,710,809
2,514,651	859,801	18,000,990
-	-	872,406
12,190,480	-	19,987,432
-	-	1,057,743
14,720,538	859,801	170,121,949
(4,484,669)	(7,392)	(3,843,021)
2,953,201	-	3,557,876
(2,953,201)	-	(3,557,876)
2,155,910	-	3,405,963
2,155,910	-	3,405,963
(2,328,759)	(7,392)	(437,058)
3,385,867	3,343,362	16,954,126
\$ 1,057,108	\$ 3,335,970	\$ 16,517,068

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, 2001

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 42,850,742	\$ 39,993,475	\$ (2,857,267)
Local sources	41,567,064	43,662,104	2,095,040
Total Revenue Limit Sources	84,417,806	83,655,579	(762,227)
Federal revenues	15,639,247	13,664,962	(1,974,285)
Other state revenues	41,484,030	39,274,862	(2,209,168)
Other local revenues	3,188,369	4,093,696	905,327
Tuition and transfers	839,845	875,942	36,097
Total Revenues	145,569,297	141,565,041	(4,004,256)
EXPENDITURES			
Current Expenditures			
Certificated salaries	64,010,263	65,329,755	(1,319,492)
Classified salaries	21,090,481	21,324,475	(233,994)
Employee benefits	27,912,704	25,926,810	1,985,894
Books and supplies	16,499,467	6,761,864	9,737,603
Services and operating expenditures	12,327,467	12,622,830	(295,363)
Other outgo	180,248	402,449	(222,201)
Capital outlay	6,155,942	5,961,820	194,122
Debt service - interest and other	281,787	921,206	(639,419)
Total Expenditures	148,458,359	139,251,209	9,207,150
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(2,889,062)	2,313,832	5,202,894
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(932,334)	(604,675)	327,659
Other sources	35,349	888,398	853,049
Total Other Financing Sources/(Uses)	(896,985)	283,723	1,180,708
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(3,786,047)	2,597,555	6,383,602
FUND BALANCE, BEGINNING OF YEAR	8,748,456	8,748,456	-
FUND BALANCE, END OF YEAR	\$ 4,962,409	\$ 11,346,011	\$ 6,383,602

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)
\$ 1,623,920	\$ 1,681,468	\$ 57,548	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,623,920	1,681,468	57,548	-	-	-
9,625,291	6,946,322	(2,678,969)	-	-	-
3,806,925	3,045,170	(761,755)	21,817,711	(17,905)	(21,835,616)
1,804,456	1,952,753	148,297	1,636,337	1,601,009	(35,328)
-	-	-	-	-	-
16,860,592	13,625,713	(3,234,879)	23,454,048	1,583,104	(21,870,944)
3,274,984	2,592,121	682,863	-	-	-
3,558,413	3,126,142	432,271	-	-	-
3,017,125	2,193,266	823,859	-	-	-
3,410,719	2,933,538	477,181	-	4,020	(4,020)
2,274,861	2,003,708	271,153	1,166,371	1,359,645	(193,274)
705,126	469,957	235,169	-	-	-
2,559,549	1,835,132	724,417	22,287,677	389,511	21,898,166
41,112	136,537	(95,425)	-	-	-
18,841,889	15,290,401	3,551,488	23,454,048	1,753,176	21,700,872
(1,981,297)	(1,664,688)	316,609	-	(170,072)	(170,072)
604,675	604,675	-	350,000	-	(350,000)
-	-	-	-	(2,953,201)	(2,953,201)
361,655	361,655	-	-	-	-
966,330	966,330	-	350,000	(2,953,201)	(3,303,201)
(1,014,967)	(698,358)	316,609	350,000	(3,123,273)	(3,473,273)
1,445,341	1,445,341	-	3,163,721	3,163,721	-
\$ 430,374	\$ 746,983	\$ 316,609	\$ 3,513,721	\$ 40,448	\$ (3,473,273)

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, 2001

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 44,474,662	\$ 41,674,943	\$ (2,799,719)
Local sources	41,567,064	43,662,104	2,095,040
Total Revenue Limit Sources	86,041,726	85,337,047	(704,679)
Federal revenues	25,264,538	20,611,284	(4,653,254)
Other state revenues	67,108,666	42,302,127	(24,806,539)
Other local revenues	6,629,162	7,647,458	1,018,296
Tuition and transfers	839,845	875,942	36,097
Total Revenues	185,883,937	156,773,858	(29,110,079)
EXPENDITURES			
Current Expenditures			
Certificated salaries	67,285,247	67,921,876	(636,629)
Classified salaries	24,648,894	24,450,617	198,277
Employee benefits	30,929,829	28,120,076	2,809,753
Books and supplies	19,910,186	9,699,422	10,210,764
Services and operating expenditures	15,768,699	15,986,183	(217,484)
Other outgo	885,374	872,406	12,968
Capital outlay	31,003,168	8,186,463	22,816,705
Debt service - interest and other	322,899	1,057,743	(734,844)
Total Expenditures	190,754,296	156,294,786	34,459,510
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(4,870,359)	479,072	5,349,431
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	954,675	604,675	(350,000)
Operating transfers out	(932,334)	(3,557,876)	(2,625,542)
Other sources	397,004	1,250,053	853,049
Total Other Financing Sources/(Uses)	419,345	(1,703,148)	(2,122,493)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(4,451,014)	(1,224,076)	3,226,938
FUND BALANCE, BEGINNING OF YEAR	13,357,518	13,357,518	-
FUND BALANCE, END OF YEAR	<u>\$ 8,906,504</u>	<u>\$ 12,133,442</u>	<u>\$ 3,226,938</u>

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, 2001**

	<u>Internal Service</u>
OPERATING REVENUE	
Premiums	\$ 16,168,391
OPERATING EXPENSES	
Classified salaries	17,282
Employee benefits	9,321
Claims expense	16,741,066
Total Operating Expenses	<u>16,767,669</u>
OPERATING LOSS	(599,278)
NONOPERATING REVENUES	
Interest Income	<u>118,288</u>
NET LOSS	(480,990)
RETAINED EARNINGS, BEGINNING OF YEAR	1,195,254
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 714,264</u></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, 2001**

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (599,278)
Adjustments to reconcile operating income/(loss) to	
Changes in assets and liabilities	
(Increase) in:	
Accounts receivable	(900,000)
Accounts payable	157,518
Due to other funds	(488,578)
Net Cash Flows From	
Operating Activities	(1,830,338)
Interest income	118,288
NET (DECREASE) IN CASH	<u>(1,712,050)</u>
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	3,712,286
CASH AND CASH EQUIVALENTS END OF YEAR	<u><u>\$ 2,000,236</u></u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pajaro Valley Unified School District conform to accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America. 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.

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 1,060 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.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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.

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.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except for the Debt Service and County School Facilities funds. 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.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

G. 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.

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.

H. 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.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15, and March 15. 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.

J. 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.

K. 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, 2001

L. Use of Estimates

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

M. 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 accounting principles generally accepted in the United States of America. 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, 2001, 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		
Cash on hand and in banks	\$481,231	\$1,161,671	\$1,642,902	\$1,161,759
Cash in revolving fund	-	49,750	49,750	80,000
Cash awaiting deposit	-	-	-	810,769
Total	\$481,231	\$1,211,421	\$1,692,652	\$2,052,528

*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 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, 2001

NOTE #3 – INVESTMENTS

Investments at June 30, 2001, held on behalf of the Pajaro Valley Unified School District are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category 3	Reported Amount	Fair Value
First American Treasury Obligations	\$ 294,701	\$ 294,701	\$ 294,701
Uncategorized:			
U.S. Treasury		19,900	25,925
Deposits with county treasurer		18,584,180	18,556,304
		<u>\$ 18,898,781</u>	<u>\$ 18,876,930</u>

These categories are as follows:

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, 2001

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2001, consist of the following:

	General	Special Revenue	Capital Projects	Proprietary	Total
Federal Government					
Categorical aid	\$ 1,791,053	\$ 1,564,828	\$ -	\$ -	\$ 3,355,881
State Government					
Apportionment	462,258	-	-	-	462,258
Categorical aid	2,147,462	206,152	-	-	2,353,614
Other state	1,058,193	535,000	2,067,292	-	3,660,485
Other Local Sources	4,485,921	20,073	-	900,000	5,405,994
Total	<u>\$9,944,887</u>	<u>\$ 2,326,053</u>	<u>\$2,067,292</u>	<u>\$ 900,000</u>	<u>\$15,238,232</u>

NOTE #5 – INTERFUND TRANSACTIONS

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

Individual fund interfund receivable and payable balances at June 30, 2001, are as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 5,115,281	\$ 1,334,111
Adult Education	104,418	159,229
Cafeteria	3,616	924,978
Child Development	53,588	521,165
Deferred Maintenance		285,090
Capital Facilities	38,940	234,630
State School Building	326,240	67,161
County School Facilities	1,300,230	3,232,606
Self Insurance		2,463
Retiree Benefits	719,475	900,355
Total	<u>\$ 7,661,788</u>	<u>\$ 7,661,788</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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, 2001, are as follows:

Adult

The General fund transferred to the Adult Education fund for lottery.	\$ 101,160
The General fund transferred to the Deferred Maintenance fund for state match.	503,515
The State School Building fund transferred to the County School Facility fund for reimbursements.	2,953,201
Total	<u>\$ 3,557,876</u>

NOTE #6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2001, consist of the following:

	General	Special Revenue	Capital Projects	Foundation	Total
Vendor payables	\$2,861,296	\$ 795,019	\$ 755,393	\$ 235,875	\$4,647,583
Salaries and benefits	799,167	340,182	-	-	1,139,349
Total	<u>\$3,660,463</u>	<u>\$1,135,201</u>	<u>\$ 755,393</u>	<u>\$ 235,875</u>	<u>\$5,786,932</u>

NOTE #7 - DEFERRED REVENUE

Deferred revenue at June 30, 2001, consists of the following:

	General	Special Revenue	Capital Projects	Total
Federal financial assistance	\$1,576,863	\$ 123,661	\$ -	\$ 1,700,524
State categorical aid	1,181,633	587,479	-	1,769,112
School facilities apportionment	-	-	7,078,142	7,078,142
Other local	130,320	-	-	130,320
Total	<u>\$2,888,816</u>	<u>\$ 711,140</u>	<u>\$7,078,142</u>	<u>\$10,678,098</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE #8 – FUND BALANCES

Fund balances are composed of the following elements:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Tax Override</u>	<u>Trust and Agency</u>
Reserved					
Revolving cash	\$ 80,000	\$ -	\$ -	\$ -	\$ -
Stores inventory	273,268	56,934	-	-	-
Restricted programs	4,454,620	-	-	-	-
Total Reserved	<u>4,807,888</u>	<u>56,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unreserved					
Designated	-	-	294,700	-	-
Undesignated	6,538,123	690,049	762,408	30,996	3,335,970
Total Unreserved	<u>6,538,123</u>	<u>690,049</u>	<u>1,057,108</u>	<u>30,996</u>	<u>3,335,970</u>
Total	<u>\$11,346,011</u>	<u>\$ 746,983</u>	<u>\$ 1,057,108</u>	<u>\$30,996</u>	<u>\$3,335,970</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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, 2001, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
State school building loans	\$ 42,696	\$ 3,402	\$ 46,098	\$ -
Certificates of participation	10,000,000	13,000,000	10,000,000	13,000,000
Accumulated vacation - net	1,018,672	94,594	-	1,113,266
Postemployment benefits - net	3,937,507	383,466	446,212	3,874,761
Capital leases	487,332	1,097,673	171,560	1,413,445
Land purchase note payable	69,149	-	47,994	21,155
Energy service contract	1,992,980	-	181,180	1,811,800
	<u>\$ 17,548,336</u>	<u>\$ 14,579,135</u>	<u>\$ 10,893,044</u>	<u>\$ 21,234,427</u>
Amount currently available and reserved for retirement of general long-term debt				
Tax override			30,996	
County School Facilities			294,700	
Retiree Benefits			2,132,637	2,458,333
Amount to be provided for retirement of general long-term debt				<u>\$ 18,776,094</u>

B. Certificates of Participation

On October 1, 2000, the Pajaro Valley Unified School District Financing Corporation issued \$13,000,000 in Certificates of Participation (COP's). The Certificates have interest rates between 2.90 percent and 4.50 percent. The first principal payment is due on October 1, 2002. The total debt outstanding as of June 30, 2001 is \$13,000,000. \$10,000,000 of the proceeds from these certificates were used to pay off the \$10,000,000 in COP's issued by the District in May 1997, which carried original interest rates ranging from 4.65 to 5.50 percent.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 175,000	\$ 451,937	\$ 626,937
2003	195,000	445,463	640,463
2004	205,000	438,462	643,462
2005	215,000	431,113	646,113
2006	225,000	423,413	648,413
Thereafter	11,985,000	6,578,512	18,563,512
Total	<u>\$ 13,000,000</u>	<u>\$ 8,768,900</u>	<u>\$ 21,768,900</u>

C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2001, amounted to \$1,113,266.

D. 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, 160 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 \$446,212 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2001, amounts to \$3,874,761. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2001, 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.

E. Capital Leases

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

	Porter Building	Relocatable Classrooms	Food Preparation Equipment
Balance, Beginning of Year	\$ 698,670	\$ 1,431,377	\$ 123,335
Payments	69,867	95,425	41,112
Balance, End of Year	<u>\$ 628,803</u>	<u>\$ 1,335,952</u>	<u>\$ 82,223</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2002	\$ 206,404
2003	206,403
2004	165,292
2005	165,292
2006	165,292
Thereafter	1,138,295
Total	2,046,978
Less: Amount Representing Interest	633,533
Present Value of Minimum Lease Payments	<u>\$ 1,413,445</u>

F. 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, 2001, is \$21,155. Debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 21,155	\$ 425	\$ 21,580

G. Energy Service Contract

During the 1998-1999 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,	
2002	\$ 181,180
2003	181,180
2004	181,180
2005	181,180
2006	181,180
Thereafter	905,900
Total	<u>\$ 1,811,800</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

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. 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 Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2000-2001 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 year ending June 30, 2001, 2000, and 1999 were \$5,097,026, \$4,510,455, and \$4,074,694, respectively, and equal 100 percent of the required contributions for each year.

B. 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, 2001

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (prior to January 1, 2001, 7.0 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. There were no required contributions for the fiscal years ending June 30, 2001, 2000, and 1999.

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 as its alternative plan.

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 \$3,112,893 (5.0385 percent of salaries subject to STRS) and \$19,258 (0.092 percent of salaries subject to PERS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (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 pools for the 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, 2001

- 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, 2000*
Assets		\$ 3,287,141
Liabilities		(536,855)
	Fund Equity	\$ 2,750,286
Revenues		4,257,809
Expenses		(4,238,343)
	Net Increase in Fund Equity	\$ 19,466
F. <u>Payments for the Current Year</u>		\$ 2,176,708

* Most recent information available

The JPA has had no long-term debt outstanding at June 30, 2000. 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, 2001

NOTE #15 – TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2000, the District issued \$14,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.1 percent. Interest and principal were due and payable on January 1, 2001. By May 1, 2001, 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.

NOTE #16 – SUBSEQUENT EVENT

The District issued \$21,000,000 of Tax And Revenue Anticipation Notes dated July 1, 2001. The notes mature on June 29, 2002, 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 December 31, 2001, and the remaining 50 percent of principal and interest due on account by April 30, 2002.

NOTE #17 – 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.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

- 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, 2000, 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, 2001**

	Adult Education	Cafeteria	Child Development
ASSETS			
Cash	\$ 9,791	\$ 1,657	\$ 42,611
Investments	701,349	19,331	904,873
Accounts receivable	129,153	1,296,907	364,993
Due from other funds	104,418	3,616	53,588
Stores inventory	-	56,934	-
Total Assets	<u>\$ 944,711</u>	<u>\$ 1,378,445</u>	<u>\$ 1,366,065</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 219,996	\$ 228,281	\$ 521,804
Due to other funds	159,229	924,978	521,165
Deferred revenue	345,156	-	365,984
Total Liabilities	<u>724,381</u>	<u>1,153,259</u>	<u>1,408,953</u>
FUND EQUITY			
Fund balances			
Reserved	-	56,934	-
Unreserved			
Undesignated	220,330	168,252	(42,888)
Total Fund Equity	<u>220,330</u>	<u>225,186</u>	<u>(42,888)</u>
Total Liabilities and Fund Equity	<u>\$ 944,711</u>	<u>\$ 1,378,445</u>	<u>\$ 1,366,065</u>

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

<u>Deferred Maintenance</u>	<u>Total</u>
\$ -	\$ 54,059
259,565	1,885,118
535,000	2,326,053
-	161,622
-	56,934
<u>\$ 794,565</u>	<u>\$ 4,483,786</u>

\$ 165,120	\$ 1,135,201
285,090	1,890,462
-	711,140
<u>450,210</u>	<u>3,736,803</u>

-	56,934
344,355	690,049
<u>344,355</u>	<u>746,983</u>
<u>\$ 794,565</u>	<u>\$ 4,483,786</u>

PAJARO VALLEY 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, 2001

	Adult Education		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 1,623,920	\$ 1,681,468	\$ 57,548
Total Revenue Limit Sources	1,623,920	1,681,468	57,548
Federal revenues	134,374	97,938	(36,436)
Other state revenues	1,270,764	901,689	(369,075)
Other local revenues	140,064	191,053	50,989
Total Revenues	3,169,122	2,872,148	(296,974)
EXPENDITURES			
Current Expenditures			
Certificated salaries	1,220,412	1,372,387	(151,975)
Classified salaries	418,468	391,735	26,733
Employee benefits	453,812	480,439	(26,627)
Books and supplies	580,391	144,139	436,252
Services and operating expenditures	358,540	181,707	176,833
Other outgo	118,226	41,058	77,168
Capital outlay	573,836	499,491	74,345
Debt service - interest and other	-	95,425	(95,425)
Total Expenditures	3,723,685	3,206,381	517,304
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(554,563)	(334,233)	220,330
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	101,160	101,160	-
Other sources	352,584	352,584	-
Total Other Financing Sources/(Uses)	453,744	453,744	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(100,819)	119,511	220,330
FUND BALANCE, BEGINNING OF YEAR	100,819	100,819	-
FUND BALANCE, END OF YEAR	\$ -	\$ 220,330	\$ 220,330

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

Cafeteria			Child Development		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,503,794	3,735,813	232,019	5,987,123	3,112,571	(2,874,552)
338,568	156,957	(181,611)	1,662,593	1,408,955	(253,638)
1,633,392	1,669,302	35,910	31,000	77,799	46,799
5,475,754	5,562,072	86,318	7,680,716	4,599,325	(3,081,391)
-	-	-	2,054,572	1,219,734	834,838
1,789,636	1,803,030	(13,394)	1,350,309	931,377	418,932
1,103,002	903,598	199,404	1,460,311	809,229	651,082
2,420,760	2,563,050	(142,290)	409,568	205,053	204,515
(27,004)	(1,837)	(25,167)	1,943,325	1,011,737	931,588
270,786	237,310	33,476	316,114	191,589	124,525
755,100	698,430	56,670	192,099	225,359	(33,260)
41,112	41,112	-	-	-	-
6,353,392	6,244,693	108,699	7,726,298	4,594,078	3,132,220
(877,638)	(682,621)	195,017	(45,582)	5,247	50,829
-	-	-	-	-	-
-	-	-	9,071	9,071	-
-	-	-	9,071	9,071	-
(877,638)	(682,621)	195,017	(36,511)	14,318	50,829
907,807	907,807	-	(57,206)	(57,206)	-
\$ 30,169	\$ 225,186	\$ 195,017	\$ (93,717)	\$ (42,888)	\$ 50,829

PAJARO VALLEY 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, 2001

	Deferred Maintenance		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	535,000	577,569	42,569
Other local revenues	-	14,599	14,599
Total Revenues	535,000	592,168	57,168
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	21,296	(21,296)
Services and operating expenditures	-	812,101	(812,101)
Other outgo	-	-	-
Capital outlay	1,038,514	411,852	626,662
Debt service - interest and other	-	-	-
Total Expenditures	1,038,514	1,245,249	(206,735)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(503,514)	(653,081)	(149,567)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	503,515	503,515	-
Other sources	-	-	-
Total Other Financing Sources/(Uses)	503,515	503,515	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1	(149,566)	(149,567)
FUND BALANCE, BEGINNING OF YEAR	493,921	493,921	-
FUND BALANCE, END OF YEAR	\$ 493,922	\$ 344,355	\$ (149,567)

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

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,623,920	\$ 1,681,468	\$ 57,548
1,623,920	1,681,468	57,548
9,625,291	6,946,322	(2,678,969)
3,806,925	3,045,170	(761,755)
1,804,456	1,952,753	148,297
16,860,592	13,625,713	(3,234,879)
3,274,984	2,592,121	682,863
3,558,413	3,126,142	432,271
3,017,125	2,193,266	823,859
3,410,719	2,933,538	477,181
2,274,861	2,003,708	271,153
705,126	469,957	235,169
2,559,549	1,835,132	724,417
41,112	136,537	(95,425)
18,841,889	15,290,401	3,551,488
(1,981,297)	(1,664,688)	316,609
604,675	604,675	-
361,655	361,655	-
966,330	966,330	-
(1,014,967)	(698,358)	316,609
1,445,341	1,445,341	-
\$ 430,374	\$ 746,983	\$ 316,609

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	Capital Facilities	State School Building	County School Facilities	Total
ASSETS				
Cash	\$ 7,289	\$ -	\$ -	\$ 7,289
Investments	270,264	84,136	8,330,649	8,685,049
Accounts receivable	-	-	2,067,292	2,067,292
Due from other funds	38,940	326,240	1,300,230	1,665,410
Total Assets	<u>\$ 316,493</u>	<u>\$ 410,376</u>	<u>\$ 11,698,171</u>	<u>\$ 12,425,040</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 81,863	\$ 14,630	\$ 658,900	\$ 755,393
Due to other funds	234,630	67,161	3,232,606	3,534,397
Deferred revenue	-	288,137	6,790,005	7,078,142
Total Liabilities	<u>316,493</u>	<u>369,928</u>	<u>10,681,511</u>	<u>11,367,932</u>
FUND EQUITY				
Fund balances				
Unreserved				
Designated	-	-	294,700	294,700
Undesignated	-	40,448	721,960	762,408
Total Fund Equity	<u>-</u>	<u>40,448</u>	<u>1,016,660</u>	<u>1,057,108</u>
Total Liabilities and Fund Equity	<u>\$ 316,493</u>	<u>\$ 410,376</u>	<u>\$ 11,698,171</u>	<u>\$ 12,425,040</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 FOR THE YEAR ENDED JUNE 30, 2001

	Capital Facilities	State School Building	County School Facilities
REVENUES			
Other state revenues	\$ -	\$ (17,905)	\$ 7,974,303
Other local revenues	1,557,293	43,716	678,462
Total Revenues	1,557,293	25,811	8,652,765
EXPENDITURES			
Current Expenditures			
Books and supplies	4,020	-	11,387
Services and operating expenditures	1,359,645	-	1,155,006
Capital outlay	405,500	(15,989)	11,800,969
Total Expenditures	1,769,165	(15,989)	12,967,362
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(211,872)	41,800	(4,314,597)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	2,953,201
Operating transfers out	-	(2,953,201)	-
Other sources	-	-	2,155,910
Total Other Financing Sources/(Uses)	-	(2,953,201)	5,109,111
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(211,872)	(2,911,401)	794,514
FUND BALANCE, BEGINNING OF YEAR	211,872	2,951,849	222,146
FUND BALANCE, END OF YEAR	\$ -	\$ 40,448	\$ 1,016,660

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

Total

\$ 7,956,398

2,279,471

10,235,869

15,407

2,514,651

12,190,480

14,720,538

(4,484,669)

2,953,201

(2,953,201)

2,155,910

2,155,910

(2,328,759)

3,385,867

\$ 1,057,108

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES TRUST AND AGENCY FUNDS COMBINING BALANCE SHEET JUNE 30, 2001

	Expendable Trust Funds			Agency ¹	Total Trust and Agency
	Foundation	Retiree Benefits	Total		
ASSETS					
Cash	\$ 5,133	\$ -	\$ 5,133	\$ 639,872	\$ 645,005
Investments	1,434,075	2,313,517	3,747,592	-	3,747,592
Due from other funds	-	719,475	719,475	-	719,475
Total Assets	<u>\$ 1,439,208</u>	<u>\$ 3,032,992</u>	<u>\$ 4,472,200</u>	<u>\$ 639,872</u>	<u>\$ 5,112,072</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 235,875	\$ -	\$ 235,875	\$ -	\$ 235,875
Due to other funds	-	900,355	900,355	-	900,355
Due to student groups				639,872	639,872
Total Liabilities	<u>235,875</u>	<u>900,355</u>	<u>1,136,230</u>	<u>639,872</u>	<u>1,776,102</u>
FUND EQUITY					
Fund balances					
Unreserved					
Undesignated	<u>1,203,333</u>	<u>2,132,637</u>	<u>3,335,970</u>	<u>-</u>	<u>3,335,970</u>
Total Liabilities and Fund Equity	<u>\$ 1,439,208</u>	<u>\$ 3,032,992</u>	<u>\$ 4,472,200</u>	<u>\$ 639,872</u>	<u>\$ 5,112,072</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, 2001

	<u>Foundation</u>	<u>Retiree Benefits</u>	<u>Total</u>
REVENUES			
Interest	\$ 82,108	112,340	\$ 194,448
Other local	165,413	-	165,413
Tuition and transfers		492,548	492,548
Total Revenues	<u>247,521</u>	<u>604,888</u>	<u>852,409</u>
EXPENDITURES			
Services and operating expense	<u>186,375</u>	<u>673,426</u>	<u>859,801</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	61,146	(68,538)	(7,392)
FUND BALANCE, BEGINNING OF YEAR	<u>1,142,187</u>	<u>2,201,175</u>	<u>3,343,362</u>
FUND BALANCE, END OF YEAR	<u><u>\$1,203,333</u></u>	<u><u>\$2,132,637</u></u>	<u><u>\$3,335,970</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
ASSETS				
Cash	<u>\$ 596,793</u>	<u>\$1,955,902</u>	<u>\$1,912,823</u>	<u>\$ 639,872</u>
LIABILITIES				
Due to student groups	<u>\$ 596,793</u>	<u>\$1,955,902</u>	<u>\$1,912,823</u>	<u>\$ 639,872</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, 2001

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	\$ 97,938
Public Charter Schools	84.282	03150	344,901
Education Technology Literacy Grant	84.318	03285	337,197
Elementary and Secondary Education Act			
Title I Part A - Grants to Local Educational Agencies	84.010	03797	2,390,806
Title I Comprehensive School Reform	84.010	03966	
Migrant Education Reg & Summer [3]	84.011	03628	4,078,975
Title II - Eisenhower Math and Science	84.281	03207	81,792
Title IV - Safe and Drug-Free Schools	84.186	03453	89,437
Title VI - Class Size Reduction (CSR)	84.340	03073	1,068,233
Title VI - Innovative Education Strategies	84.298	03340	57,157
Title VII - Bilingual Education Cluster:			
Program Enhancement Grants	84.289	10008	474,932
Development & Implementation	84.288	N/A	108,859
Comprehensive School Grants	84.290	10008	737,339
Emergency Immigrant Education	84.162	03159	377,922
21st Century Community Learning	84.287A	N/A	430,791
Goals 2000 Reading Instruction	84.276A	03268	62,852
Individuals with Disabilities Education Act			
Special Education Cluster :			
Local Assistance	84.027	03379	1,513,171
Infant Discretionary	84.027A	03612	25,027
Personnel Development	84.027A	03613	11,882
Preschool Entitlement	84.027	03682	148,798
Low Incidence	84.027	03459	11,432
Regional Match	84.029	03815	121,291
Federal Preschool	84.173A	03430	342,698
Preschool - Staff Development	84.173A	03431	19,105
IDEA	84.173A	03431	420
Early Intervention	84.181	03761	246,523

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2001

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	\$ 109,498
Passed through Cabrillo Community College District			
Act - Carl D. Perkins	84.028	03582	1,425
Subtotal			<u>13,290,401</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Environmental Justice Grants	66.604	N/A	<u>600</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program [3]	10.555	03396	3,026,298
Basic School Breakfast Program [3]	10.553	03390	31,612
Especially Needy Breakfast [3]	10.553	03390	677,903
Commodity Fair Market Value [2][3]	10.550	03389	268,000
Subtotal			<u>4,003,813</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medical Administrative Assistance	93.778	10013	71,143
LEA Medi-Cal Billing Option	93.778	10013	73,885
Federal Start Up Grant	93.575	03941	33,994
Migrant Head Start [3]	93.600	10016	3,112,571
Subtotal			<u>3,291,593</u>
Total Federal Programs [1]			<u>\$20,586,407</u>

[1] Doesn't include \$292,877 unrestricted FEMA federal revenues.

[2] Excluded from the district's financial statements.

[3] Tested as a major program

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2001

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,340	1,349
First through third	4,218	4,238
Fourth through sixth	4,001	4,011
Seventh and eighth	2,530	2,529
Opportunity schools	32	31
Home and hospital	4	5
Special education	240	243
Community education	6	6
Total Elementary	12,371	12,412
SECONDARY		
Regular classes	4,632	4,591
Continuation education	165	167
Home and hospital	12	11
Special education	143	143
Community education	28	26
Total Secondary	4,980	4,938
Total K-12	17,351	17,350
REGIONAL OCCUPATIONAL PROGRAM		
CLASSES FOR ADULTS		
Concurrently enrolled	22	21
Not concurrently enrolled	850	813
Adults in correctional facilities	35	35
Total Classes for Adults	907	869
CHARTER SCHOOLS		
Elementary	952	953
Secondary	108	107
Total charter schools	1,060	1,060
Grand Total	19,318	19,279
		Hours of Attendance
SUMMER SCHOOL		
Elementary		419,027
High School		198,206
Total Hours		617,233

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2000-01 Actual Minutes</u>	<u>Status</u>
Kindergarten	36,000	31,500	36,520	In Compliance
Grades 1 - 3	50,400	42,000	51,364	In Compliance
Grades 4 - 8	54,000	52,500	55,843	In Compliance
Grades 9 - 12	64,800	59,500	66,204	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, 2001

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

	Capital Facilities	County School Facilities
FUND BALANCE		
Balance, June 30, 2001, (Form J-200)	\$ 13,204	\$ 1,003,456
Decrease in receivables	-	-
Increase is due to other funds	(13,204)	-
Increase in due from other funds	-	13,204
Balance, June 30, 2001, Audited Financial Statement	<u>\$ -</u>	<u>\$ 1,016,660</u>
		General Long- Term Debt Account Group
GENERAL LONG-TERM LIABILITIES		
Total Liabilities, June 30, 2001, (Form J-249)		\$ 17,548,336
Adjustments		
Increase in:		
Compensated absences		94,594
Certificates of participation		3,000,000
Capital leases		926,113
Decrease in:		
Building loans		(42,696)
Postemployment benefits		(62,746)
Other general long term debt		(229,174)
Total Liabilities, June 30, 2001, Audited Financial Statement		<u>\$ 21,234,427</u>

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2001

	(Budget) 2002 ¹	2001	2000	1999
GENERAL FUND				
Revenues	\$ 141,343,476	\$141,565,041	\$121,653,329	\$111,357,506
Other sources	35,349	888,398	-	67,277
Total Revenues and Other Sources	141,378,825	142,453,439	121,653,329	111,424,783
Expenditures	143,631,107	139,251,209	122,889,830	110,022,975
Other uses and transfers out	698,710	604,675	1,719,913	3,148,208
Total Expenditures and Other Uses	144,329,817	139,855,884	124,609,743	113,171,183
INCREASE/(DECREASE) IN FUND BALANCE	\$ (2,950,992)	\$ 2,597,555	\$ (2,956,414)	\$ (1,746,400)
ENDING FUND BALANCE	\$ 8,395,019	\$ 11,346,011	\$ 8,748,456	\$ 11,704,870
AVAILABLE RESERVES ²	\$ 4,329,895	\$ 6,538,123	\$ 4,732,924	\$ 9,844,480
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.0%	4.7%	3.8%	8.7%
LONG-TERM DEBT	\$ 20,740,000	\$ 21,234,427	\$ 17,548,336	\$ 16,614,563
AVERAGE DAILY ATTENDANCE AT P-2 ³	18,641	18,411	18,181	18,091

The general fund balance has decreased by \$358,859 over the past two years. The fiscal year 2001-02 budget projects a decrease of \$2,950,992. For a district this size, the State recommends available reserves of at least 3% percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2001-02 fiscal year. Total long-term debt has increased by \$4,619,864 over the past two years.

Average daily attendance has increased by 320 over the past two years. An additional growth of 230 in ADA is anticipated during fiscal year 2001-02.

¹ Budget 2002 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, 2001

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. 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.

C. 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 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

D. 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.

E. Schedule of Financial Trends and Analysis

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



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 the Pajaro Valley Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 25, 2001. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 Standards*.

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 2001-1 and 2001-2.

IV.1

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 is 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 Trime Day & Co. LLP

San Jose, California
October 25, 2001



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 the 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, 2001. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2001.

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.

IV.3

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.

Vannink Trine Day & Co. LLP

San Jose, California
October 25, 2001



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, 2001, and have issued our report thereon dated October 25, 2001. 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 auditing standards generally accepted in the United States of America, 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	3	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	Yes
Continuation education	12	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
Early retirement incentive program	5	Not Applicable

IV.5

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	No
Class size reduction program:		
Option one classes	11	Yes
Option two classes	10	Not Applicable
Both options one and two classes	16	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	3	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public School Library Act of 1998	4	Yes
Computer Usage	2	Yes
Office of Criminal Justice Planning	-	Not Applicable

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.

Vawrinek Trine Day & Co. LLP

San Jose, California
October 25, 2001

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2001

FINANCIAL STATEMENTS

Type of auditors' report issued:

Qualified

Internal control over financial reporting:

Material weaknesses identified?

No

Reporting conditions identified not considered to be material weaknesses?

Yes

Noncompliance material to financial statements noted?

No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified?

No

Reporting conditions 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 Cluster

10.553, 10.550, 10.555

Child Nutrition Cluster

93.600

Migrant Headstart

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

\$ 617,592

Auditee qualified as low-risk auditee?

No

STATE AWARDS

Internal control over state programs:

Material weaknesses identified?

No

Reporting conditions 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, 2001

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance 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

2001-1 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.

District Response

The District recognizes this procedure as an effective procedure to safe guard cash collections. However, the District does not have enough resources to be able to implement such procedure

2001-2 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, one of six 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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001**

District Response

The District has contracted with an independent contractor to perform an appraisal of the equipment inventory in the preparation for GASB 34 implementation.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

There were no findings that represent reportable conditions, material weaknesses, and 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, 2001**

There were no findings that represent instances of noncompliance and 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, 2001

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.

Current Status
Not implemented.
See current years finding
2001-1

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 systems.

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 years finding
2001-2