



PAJARO VALLEY UNIFIED SCHOOL DISTRICT MISSION STATEMENT

The Mission of the Pajaro Valley Unified School District is to educate and to support learners in reaching their highest potential. We prepare students to pursue successful futures and to make positive contributions to the community and global society.

January 16, 2013 REGULAR BOARD MEETING

CLOSED SESSION – 6:00 p.m. – 7:00 p.m.
PUBLIC SESSION – 7:00 p.m.

**DISTRICT OFFICE
BOARDROOM
292 Green Valley Road, Watsonville, CA 95076**

NOTICE TO THE PUBLIC: PURSUANT TO SB 343, BOARD PACKET DOCUMENTS ARE AVAILABLE FOR YOUR REVIEW AT THE FOLLOWING LOCATIONS:

- Superintendent's Office: 294 Green Valley Road, Watsonville, CA (4th Floor)
- On our Webpage: www.pvUSD.net

Notice to the Audience on Public Comment

Members of the audience are welcome to address the Board on all items not listed on this agenda. Such comments are welcome at the "Visitor Non-Agenda Items".

Members of the audience will also have the opportunity to address the Board during the Board's consideration of each item on the agenda.

Individual speakers will be allowed three minutes (unless otherwise announced by the Board President) to address the Board on each agenda item. **You must submit this card prior to the discussion of the agenda item you wish to speak to; once an item has begun, cards will not be accepted for that item.** For the record, please state your name at the beginning of your statement. The Board shall limit the total time for public input on each agenda item to 20 minutes. With Board consent, the President may increase or decrease the time allowed for public presentation, depending on the topic and the number of persons wishing to be heard. The President may take a poll of speakers for or against a particular issue and may ask that additional persons speak only if they have something new to add.

Note: Time allotment for each item is for the report portion only; it is not an anticipation of the total time for the discussion of the item.

We ask that you please turn off your cell phones and pagers when you are in the boardroom.

Please Note that Reporting out of Closed Session will Take Place AFTER Action Items.

1.0 CLOSED SESSION OPENING CEREMONY IN OPEN SESSION – 6:00 P.M.

- 1.1 Call to Order
- 1.2 Public comments on closed session agenda.

2.0 CLOSED SESSION (AND AFTER REGULAR SESSION IF NECESSARY)

- 2.1 Public Employee Appointment/Employment, Government Code Section 54957
 - a. Certificated Employees (see Attached)
 - b. Classified Employees (see attached)
- 2.2 Public Employee Discipline/Dismissal/Release/Leaves
- 2.3 Negotiations Update
 - a. CSEA
 - b. PVFT
 - c. Unrepresented Units: Management and Confidential
 - d. Substitutes – Communication Workers of America (CWA)
- 2.4 Claims for Damages
- 2.5 Pending Litigation
- 2.6 Anticipated Litigation
- 2.7 Real Property Negotiations
- 2.8 6 Expulsions

3.0 OPENING CEREMONY – MEETING OF THE BOARD IN PUBLIC - 7:00 P.M.

- 3.1 Pledge of Allegiance
- 3.2 Welcome by Board President
Trustees Kim De Serpa, Leslie DeRose, Maria Orozco, Karen Osmundson, Lupe Rivas, Jeff Ursino and President Willie Yahiro.
- 3.3 Superintendent Comments
- 3.4 Student Recognition
 - Wendy Martinez – Mintie White Elementary School
 - Isabella T. Bettercourt – Aptos Jr. High
 - Melvin Tangonan – Lakeview Middle School
 - Andrea Franco – Pajaro Middle School
 - Mariana V. Garcia – Rolling Hills Middle School

4.0 APPROVAL OF THE AGENDA

5.0 APPROVAL OF MINUTES

- a) *Minutes for December 5, 2012, Annual Organizational Meeting*
- b) *Minutes for December 11, 2012, Special Meeting, Selection of Officers and Change to Meeting Schedule.*

6.0 HIGH SCHOOL STUDENTS BOARD REPRESENTATIVES REPORT

7.0 VISITOR NON-AGENDA ITEMS

Public comments on items that are not on the agenda can be addressed at this time. The Board President will recognize any member of the audience wishing to speak to an item not on the agenda on a matter directly related to school business. The President may allot time to those wishing to speak, but no action will be taken on matters presented (Ed. Code Section 36146.6).

If appropriate, the President or any Member of the Board may direct that a matter be referred to the Superintendent's Office for placement on a future agenda. (Please complete a card if you wish to speak.)

**8.0 PUBLIC HEARING CALIFORNIA SCHOOL EMPLOYEES ASSOCIATION (CSEA),
CHAPTER 132 SUNSHINE PROPOSAL TO THE PAJARO VALLEY UNIFIED SCHOOL
DISTRICT**

8.1 Report on CSEA Sunshine Proposal for 2012-13 School Year to PVUSD

Reported by Sharon Roddick, Assistant Superintendent Human Resources

8.2 Public Comment

8.3 Board Comments/Questions

9.0 EMPLOYEE ORGANIZATIONS COMMENTS – PVFT, CSEA, PVAM, CWA 5 Min. Each

10.0 CONSENT AGENDA

Information concerning the Consent items listed above has been forwarded to each Board Member prior to this meeting for his/her study. Unless some Board Member or member of the audience has a question about a particular item(s) and asks that it be withdrawn from the Consent list, the item(s) will be approved at one time by the Board of Trustees. The action taken in approving Consent items is set forth in the explanation of the individual item(s).

10.1 Purchase Orders November 29, 2012 – January 9, 2013
The PO's will be available in the Superintendent's Office.

10.2 Warrants November 29, 2012 – January 9, 2013
The warrants will be available in the Superintendent's Office.

10.3 Approve Migrant and Seasonal Head Start Budget Revision – End of Year.

10.4 Approve Contract for Measure L Bond Program Management.

10.5 Approve Certification of November 6th Measure L School Bond Election.

10.6 Approve Williams Uniform Complaint Quarterly Report for October, November and December 2012. Number of Complaints: Zero.

10.7 Watsonville High School Lighting Retrofit Project

The administration recommends approval of the Consent Agenda.

11.0 DEFERRED CONSENT ITEMS

12.0 REPORT, DISCUSSION AND POSSIBLE ACTION ITEMS

12.1 Report, discussion and possible action on 2011/12 District Audit.

Report by Brett McFadden, CBO.

10 min. report; 10 min. discussion

12.2 Report, discussion and possible action to Appoint Members to Board Standing Committees and Organizations.

1. *Community Advisory Committee – SELPA*

2. *District English Learners Advisory Committee (DELAC)*

3. *Fringe Benefits*

4. *GATE Advisory Committee*

5. *Governmental Relations*

6. *Drop Out Rates*

7. *Migrant Head Start Policy Advisory*
8. *Pajaro Valley Prevention and Student Assistance (PVPSA)*
9. *Graduation Rates/Scholarship*
10. *SPECTRA*

Report by President Yahiro

2 min. report; 10 min. discussion

- 12.3 Approve CSEA Sunshine Proposal FOR 1012-13 to PVUSD
Report given under item 8.0

- 12.4 Report, discussion and possible action to Approve 1st Reading of the Student Calendar for 2013-2014 School Year
Reported by Sharon Roddick, Assistant Superintendent Human Resources 5 min. Pres; 5 min. discussion

13.0 REPORT AND DISCUSSION ITEMS

- 13.1 Report, demonstration and discussion on Canine Detection Program.
Report by Murry Schekman, Assistant Superintendent. 10 min. report; 10 min. discussion
- 13.2 Report and discussion on Update on Governor's Proposed 13-14 State Budget.
Report by Brett McFadden, CBO. 10 min. report; 10 min. discussion
- 13.3 Report and discussion on Safety Procedures and Emergency Protocols
Report by Dorma Baker, Superintendent 10 min report; 10 min. discussion

14.0 ACTION ON CLOSED SESSION

15.0 GOVERNING BOARD COMMENTS/REPORTS

16.0 UPCOMING BOARD MEETINGS/REMAINING BOARD MEETINGS FOR 2012

All meetings, unless otherwise noted, take place at the District Office Boardroom, 292 Green Valley Road, Watsonville, CA. Closed Session begins at 6:00 pm; Open Session begins at 7:00 pm.

		Comment
February	<ul style="list-style-type: none"> ▪ 13 ▪ 27 	
March	<ul style="list-style-type: none"> ▪ 13 ▪ 27 	<ul style="list-style-type: none"> ▪ Approve 2nd Interim Report
April	<ul style="list-style-type: none"> ▪ 10 ▪ 24 	
May	<ul style="list-style-type: none"> ▪ 8 ▪ 22 	<ul style="list-style-type: none"> ▪ Approve 3rd Interim Report
June	<ul style="list-style-type: none"> ▪ 12 ▪ 26 	<ul style="list-style-type: none"> ▪ 13-14 Budget Adoption
July	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪ No Meetings Scheduled
August	<ul style="list-style-type: none"> ▪ 14 ▪ 28 	
September	<ul style="list-style-type: none"> ▪ 11 ▪ 25 	<ul style="list-style-type: none"> ▪ Unaudited Actuals
October	<ul style="list-style-type: none"> ▪ 9 ▪ 23 	
November	<ul style="list-style-type: none"> ▪ 13 	<ul style="list-style-type: none"> ▪
December	<ul style="list-style-type: none"> ▪ 11 Annual Organiza tion Mtg. 	<ul style="list-style-type: none"> ▪ Approve 1st Interim Report

17.0 ADJOURNMENT

PAJARO VALLEY UNIFIED SCHOOL DISTRICT
CLOSED SESSION AGENDA
January 16, 2013

- 2.1 Public Employee Appointment/Employment, Government Code Section 54957
a. Certificated Employees
b. Classified Employees

New Hires – Probationary	
1	Accounting Specialist II
3	Behavior Tech
1	Bus Driver
2	IA I
1	Network Engineer
New Hires	
2	Coordinator of Academics
1	Counselor
1	Teacher
New Substitutes	
	None
Promotions	
	None
Rehires	
	None
Administrative Appointments	
	None
Transfers	
	None
Extra Pay Assignments	
28	Coaches
Extra Period Assignments	
	None
Leaves of Absence	
2	Bus Driver
1	Cafeteria Asst.
1	Dir. Finance
1	IA I
2	IA II

1	OA III
1	Sr. Translator
12	Teachers
2	Resource Specialists
1	Psychologist
Retirements	
1	Inst. Assist. II
1	Teacher
Resignations/Terminations	
	None
Supplemental Service Agreements	
89	Teachers
1	Speech Lang. Therapist
Miscellaneous Actions	
Separations From Service	
1	Network Engineer
1	Parent Ed. Specialist
1	IA II
1	Teacher
Limited Term – Projects	
3	Cafeteria Assistant
6	Campus Safety Coordinator
5	Enrichment Specialist
15	IA General
1	Office Assistant I
2	Office Assistant II
1	Student Data Specialist
1	Translator
Exempt	
6	Childcare
4	Migrant OWE
1	Pupil
1	Safety Monitor
7	Student Helper
6	Workability I

5	Yard Duty
Provisional	
1	Site Computer Support Tech
Limited Term - Substitute	
3	Behavior Tech
2	Bus Driver
8	IA Gen
3	IA II
1	Warehouse Delivery Worker



December 5, 2012
BOARD ANNUAL ORGANIZATION MEETING
UNADOPTED MINUTES
CLOSED SESSION – 6:00 p.m. – 7:00 p.m.
PUBLIC SESSION – 7:00 p.m.
DISTRICT OFFICE
BOARDROOM
292 Green Valley Road
Watsonville, CA 95076

1.0 CLOSED SESSION OPENING CEREMONY IN OPEN SESSION – 6:00 P.M.

1.1 Call to Order

President DeRose called the meeting of the Board to order at 6:03 pm at 294 Green Valley Road, Watsonville, CA.

1.2 Public comments on closed session agenda.

Jenny Vasquez, parent, addressed the Board about student expulsion case #12-13-028 requesting a second opportunity for her 12 year old son stating that he made a mistake.

2.0 CLOSED SESSION (AND AFTER REGULAR SESSION IF NECESSARY)

2.1 Public Employee Appointment/Employment, Government Code Section 54957

- a. Certificated Employees**
- b. Classified Employees**

New Hires	
2	Primary Teacher
New Substitutes	
	None
Rehires	
	None
Promotions	
	None
New Hires Probationary	
	None
Administrative	
1	HR Director, Certificated
Transfers	
	None
Extra Pay Assignments	
7	Coaches
Extra Period Assignments	
	None
Leaves of Absence	

2	Behavior Tech
2	Bus Driver
1	Cafeteria Assistant
1	Instructional Assistant I
1	Instructional Assistant II
1	Academic Coordinator
1	<i>Elementary Teacher</i>
Retirements	
	None
Resignations/Terminations	
1	<i>Special Education Teacher</i>
Supplemental Service Agreements	
1	Academic Coordinator
22	Primary Teacher
25	Secondary Teacher
1	Program Director
4	Program Specialist
6	Special Education Teacher
Miscellaneous Actions	
1	Cafeteria Assistants
Separations From Service	
1	<i>Administration Secretary II</i>
After School Program	
	None
Limited Term – Projects	
1	Account Specialist II
1	Behavior Technician
1	Cafeteria Assistant
5	Campus Safety Coordinator
1	Childeare
1	Community Services Liaison I
1	Computer Systems Technician – Mello Center
1	Custodian I
1	Custodian II
24	Enrichment Specialist
26	Instructional Assistant – General Ed

1	Instructional Assistant II
1	Instructional Assistant Migrant – Children Center
1	Migrant Outreach Specialist
2	Office Assistant I
1	Office Assistant II
3	Office Assistant III
1	Parent Education Specialist
3	Translator
Limited Term – Substitute	
1	Behavior Tech
2	Cafeteria Assistant
2	Campus Safety Coordinators
2	Instructional Assistant I
1	Instructional Assistant Migrant – Children Center
1	Instructor/Driver
Exempt	
2	Babysitter
8	Childcare
24	Migrant OWE
4	Pupil
3	Student Helpers
48	Workability
2	Yard Duty
Provisional	
1	Instructional Assistant – General Ed
1	Campus Safety Coordinator

2.2 Public Employee Discipline/Dismissal/Release/Leaves

2.3 Negotiations Update

- a. CSEA
- b. PVFT
- c. Unrepresented Units: Management and Confidential
- d. Substitutes – Communication Workers of America (CWA)

2.4 Claims for Damages

2.5 Existing Litigation

2.6 Pending Litigation

2.7 Anticipated Litigation

2.8 Real Property Negotiations

2.9 7 Expulsions

3.0 OPENING CEREMONY – MEETING OF THE BOARD IN PUBLIC - 7:00 P.M.

President DeRose opened the meeting of the Board in public at 7:09 pm.

3.1 Pledge of Allegiance

Trustee Ursino led the Board in the Pledge of Allegiance.

3.2 Welcome by Board President

Trustees Kim De Serpa, Doug Keegan, Karen Osmundson, Jeff Ursino, Willie Yahiro and President Leslie DeRose were present.

President DeRose welcomed all to the meeting.

3.3 Superintendent Comments

Superintendent Dorma Baker welcomed everyone to the meeting and said she was looking forward to all the recognition and to welcoming our new trustees.

3.5 Student Musical Presentation by Lakeview Middle School

President DeRose welcomed students from Lakeview Middle School.

Teacher: Stephanie Gelman; Assistant James Blackwell

Program:

Bells Are Ringing by Jerry Estes

All I Want For Christmas by Maria Carey

Feliz Navidad by Jose Faliciano

Students:

Ebony Diaz	Daniel Meza	Eleanore Leveque	Katrina Torres
Kaila Palac	Andrea Mendoza	Emma Arroyo	Jasmine Paniagua
Heidi Nunez-Avalos	Xochitl Colin	Juan Carlos Vargas	Tatyana Martinez
Desmond Aguilera	Ulyses Angon	Corey Andrews	Sebastian Ruiz
Andres Alvarez	Darian Gutierrez	Davian Quintana	
David Villalobos-Montes			

Note from teacher: We would like to thank our principal Ken Woods for helping to move equipment and create this opportunity for us!

3.4 Student Musical Presentation by Watsonville Charter School for the Arts

President DeRose welcomed students from Watsonville Charter School of the Arts.

Teachers: Sheryl Gentry and Robert Krietzman

Ms. Gentry 2nd Grade

Anhar Alhomaidi

Nora Cole

Bear Cruz-Hallett

Shawki Farhat

Andrew Fernandez

Nolan Friesell

Ariana Gonzales

Noa Hudson

Mr. Krietzman 2nd Grade

Celeste Bravo-Anderson

Sophia Cunha

Victor Gomez

Derick Hernandez

Elizabeth Lopez

Melanie Lopez

Alex Magdaleno

Esmeralda Martinez

Amanda Hurtado-Tyner
Adrian Leon
Miguel Lopez
Sophia Ocegueda
Laura Ortiz-Meza
Charlotte Ramirez
Jesus Rocha-Meza
Destin Vasquez

Hailey Ortega
Noe Ortiz
Alejandro Padilla
Darren Silva

3.7 Student Recognition

Administrators, teachers, family members and friends honored the following students:

- *Daniel Acevedo – Calabasas Elementary School*
- *Gustavo Carrera – Ann Soldo Elementary School*
- *Doris Teresita Rojas Garcia – Hall District Elementary School*
- *6th Grade Conflict Managers – Rio del Mar Elementary School*

Students Johnny Staka, Jack Jeffrey and Luke Smith were honored for their three years of continuous contribution to the Conflict Manager Program at Rio Del Mar.

Each student also received a congratulatory token on behalf of McDonalds Restaurant and the Register Pajaronian.

3.8 Jacob Young Financial - Teacher of the Month Award for November 2012

Tina Robin, Servicing Manager of Jacob Young Financial, spoke about the award for teacher of the month and classified employee of the month. She commented on the process for nominating and selecting employees for these awards.

- *Shireen Goudarzi, H.A. Hyde Elementary School*

Michael Burman, principal at HA Hyde, spoke about his experience with Ms. Goudarzi, noting that as a teacher he had learned a lot from her teaching practices. Mr. Burman added that many of her colleagues continue to learn from her. He commended her for her wonderful work.

3.6 Jacob Young Financial – Classified Employee of the Month Award for November 2012

- *Marina Candor, ESL Registrar, Adult Education*

Dr. Nancy Bilicich, Director of Adult Education, spoke about Marina Candor, who is recognized as an extremely dedicated employee.

President DeRose called for a moment of silence in honor of Mr. Louis Bilicich, Dr. Bilicich's father, who recently passed away.

Dr. Bilicich noted that her father was a wonderful man who worked 47 years at Watsonville High School.

4.0 ACTION ON CLOSED SESSION

2.1 Public Employee Appointment/Employment, Government Code Section 54957

a. Certificated Employees

Trustee Keegan moved to approve the certificated employee report with the addition of 1 Director of Human Resources, Certificated Personnel, under Administrative Appointments, 1 teacher under Resignations and 1 primary teacher under Leaves of Absence. Trustee De Serpa seconded the motion. The motion passed unanimously.

b. Classified Employees

Trustee Keegan moved to approve the classified employee report with the addition of 1 Administrative Secretary II under Separations from Service. Trustee De Serpa seconded the motion. The motion passed unanimously.

2.9 7 Expulsions

Action on Expulsions

Trustee Osmundson moved to approve the recommendation of the Administrative Panel for the following expulsion case:

12-13-013

Trustee Yahiro seconded the motion. The motion passed unanimously.

Trustee Osmundson moved to approve the recommendation of the Administrative Panel for the following expulsion case:

12-13-028

Trustee Ursino seconded the motion. The motion passed 5/1/0 (De Serpa dissented).

Trustee Osmundson moved to approve the recommendation of the District Administration for the following expulsion case:

12-13-029

Trustee Yahiro seconded the motion. The motion passed unanimously.

Trustee Osmundson moved to approve the recommendation of the District Administration for the following expulsion case:

12-13-030

Trustee Yahiro seconded the motion. The motion passed unanimously.

Trustee Osmundson moved to approve the recommendation of the Administrative Panel for the following expulsion case:

12-13-031

Trustee Ursino seconded the motion. The motion passed unanimously.

Trustee Osmundson moved to approve the recommendation of the District Administration for the following expulsion case:

12-13-032

Trustee Ursino seconded the motion. The motion passed unanimously.

Trustee Osmundson moved to approve the recommendation of the District Administration for the following expulsion case:

12-13-034

Trustee Yahiro seconded the motion. The motion passed unanimously.

5.0 APPROVAL OF THE AGENDA

Trustee Ursino moved to approve the agenda. Trustee De Serpa seconded the motion.

President DeRose asked for a rearrangement of the agenda as follows so that the current board can take action on action items: #6, #12, #13, #14, address the Financial Corporation Agenda, and finish with item #8.5. In addition, President DeRose asked to pull item #8.3 so the new board can have the opportunity to select their officers at a future meeting. All other report and discussion items would be heard after the seating of the new board of trustees.

Trustees Ursino and De Serpa amended the motion and second to include the request to rearrange the agenda. The motion passed unanimously.

6.0 APPROVAL OF MINUTES

a) Minutes of November 14, 2012

Trustee De Serpa moved to approve the minutes for November 14, 2012. Trustee Yahiro seconded the motion. The motion passed unanimously.

12.0 CONSENT AGENDA

Trustee Keegan moved to approve the consent agenda with special recognition to donation from Mr. Brian Cicero. Trustee Yahiro seconded the motion. The motion passed unanimously.

12.1 Purchase Orders November 8 - 28, 2012

12.2 Warrants November 8 – 28, 2012

12.3 Accept with Gratitude donation from Mr. Brian Cicero of 20 HP Computer and Monitors for Pajaro Valley High School, an estimated value of \$6,379.72.

12.4 Approve Resolution #12-13-08, Report on the Use of Developer Fees for 2011-2012.

12.5 Approve 2012-13 School Improvement Plans for Student Achievement.

12.6 Approve Pacific Coast Charter School's Request to Revise MOU – Enrollment Procedures.

12.7 Approve of Program Management and Construction Management Firms to Provide Services on Upcoming Projects.

12.8 Approve of Architect Firms to Provide Services on Upcoming Projects.

13.0 DEFERRED CONSENT ITEMS

None.

14.0 REPORT, DISCUSSION AND POSSIBLE ACTION ITEMS

14.1 Report, discussion and possible action to Approve First Interim Budget Report.

Report by Brett McFadden, CBO.

Brett McFadden reported briefly on the district budget process beginning with the adoption of the budget by the first of July and ending with either a 2nd interim report by March 15th or a third interim report if required by the COE to cover financial activity through the end of June. Mr. McFadden reported that, with the passage of Proposition 30, the district is able to submit a positive report for certification to the COE. The multi-year assumptions include no cost of living adjustment for 2012-13 and 2013-14 and a 2.3% COLA for 2014-14, 10% annual increase to employee health and welfare benefits and 10% for retirees, continuation of categorical program flexibility through 2014-15 and the elimination of the state's K-3 class size reduction. While the projection is positive for a while, there is the concern of an overall structure deficit, which is not different from other districts. Mr. McFadden noted that the district is looking in anticipation to the governor's budget proposal as it seems that California's fiscal situation is improving. In conclusion, Mr. McFadden noted that there is optimism as to the fiscal situation but that the district should continue to move forward with caution.

Public comment

Jack Carroll, teacher, stated that the projections are based on flat funding for the next 3 years but that it does not factor in the increase in Prop 39 that is granted with passage of Prop 30. He added that there is legislative reason to believe that there will be additional money in the future. He added that there are currently district funds which can be used to reduce caseloads with specialists as well as re-instating class size reduction.

Bill Beecher, community member, commented that there is a warning on the report because the district is deficit spending. Prop 30 said that funds will be put aside but the governor's budget may reveal further reductions.

Nikki Lewen, teacher, submitted letters signed by Physical Ed teachers asking to reduce class loads for classes adding that the individual needs of students are not being met.

Board participated with comments and questions.

Trustee Ursino moved to approve this item. Trustee Yahiro seconded the motion. The motion passed unanimously.

The Board President recess from Board of Trustees meeting and reconvenes as Board of Directors for the Pajaro Valley Unified School District Financing Corporation.

President De Rose closed regular meeting and opened as Board of Directors for the PVUSD Financial Corporation.

The Board President reconvenes the Board of Trustees meeting.

President DeRose reconvened the Board of Trustees meeting.

Continuation of Board of Trustees agenda:

8.0 ANNUAL ORGANIZATIONAL MEETING

8.5 *Approve 2013 Board Meeting Schedule*

President DeRose proposed to add a special meeting for either Monday, December 10 or Tuesday, December 11, to select the new officers of the board.

Trustee Yahiro moved to approve the 2013 board meeting schedule with the addition of a special meeting on Tuesday, December 11th. Trustee De Serpa seconded the motion. The motion passed unanimously.

8.0 ANNUAL ORGANIZATIONAL MEETING (continued)

8.1 *Recognition of Outgoing Board Members*

President DeRose thanked former trustee Nichols for her 12 years of service.

Sandra Nichols commented about her experience on the Board.

Superintendent Baker stated that Ms. Nichols is an amazing advocate for students.

Eduardo Montesinos, City of Watsonville Mayor, offered Ms. Nichols a proclamation on behalf of the City Council.

President DeRose thanked trustee Doug Keegan for his eight years of service and for being a role model on the board.

Trustee Keegan said serving on the board has been an honor and a positive experience. He welcomed new members Lupe Rivas and Maria Orozco and suggested that the constant mantra and guiding principles be the welfare of students.

President DeRose and Superintendent Baker presented trustees Nichols and Keegan a gift on behalf of the district.

Public comment:

Rebecca Garcia, community member, expressed her support for Maria Orozco and Lupe Rivas.

8.2 *Swearing in of Newly Elected/Reelected Members of the Board:*

Honorable Judge Morse administered the oath to the newly elected and re-elected trustees:

- *Maria Orozco (new trustee)*
- *Karen Osmundson (reelected)*
- *Lupe Rivas (new trustee)*

8.3 *Election of Officers of the Board and Appointment of Representative to the Board Agenda Review Committee*

1. President

2. Vice President/Clerk

3. Board Agenda Review Committee - Third Member

This item was pulled.

RECESS – 5 Minute Break to Enjoy a Cake

President DeRose called for a short recess to enjoy some cake in honor of outgoing and incoming trustees.

8.4 Seating of New Officers of the Board of Trustees

President DeRose reconvened the board of trustees meeting after the break. New members of the Board of Trustees took their seat.

9.0 HIGH SCHOOL STUDENTS BOARD REPRESENTATIVES REPORT

President DeRose stated that student trustees had to leave the meeting to study.

10.0 VISITOR NON-AGENDA ITEMS

Rhea DeHart, community member, spoke about honoring classified staff and commented on the passing of Louis Anthony Bilicich, who worked 47 years at WHS as a custodian.

The following teachers spoke in favor of class size reduction: Caryn Lane, Susan Karz, Susie Brown, Josefina Castrellon (read a letter signed by many teachers at Amesti Elementary School), Sarah Leonard and Karen Richmond.

Angel Mejia, community member, spoke about his concern for the high ratios of students to specialized assistance.

Lisa Olson, speech language pathologist, read a letter on behalf of Denise Muir, a parent, in support of lower case loads for specialists and professionals, such as speech pathologists.

Rosario Castillo, parent, advocated for her son, who needs one-on-one help and who is currently expelled from PVUSD schools until April, and requested an earlier re-admittance.

Connie Bishop, teacher, bid farewell to outgoing trustees and welcomed new ones. She asked the board to please take an active look at special education. She noted that there is too much spent in meetings.

Kenneth Janke, teacher, spoke of his impression that trainings are taking too much time away from students.

11.0 EMPLOYEE ORGANIZATIONS COMMENTS – PVFT, CSEA, PVAM, CWA

Jack Carroll, PVFT, thanked the outgoing and incoming trustees. Ms. Carroll stated that some class sections seem to over the contract limits. He stated that the surplus of \$7.5 million for three years can be used now to improve some things. Measure L and Prop 30 will also allow revenues to increase. He added that adult education teachers also need training and additional funding.

Brett Knupfer, PVAM, saluted trustees Keegan and Nichols for their advocacy for the students. He welcomed trustees Orozco and Rivas and congratulated trustee Osmundson on being reelected. He commented on the importance of teamwork for the board and for sites as well. Mr. Knupfer noted that the Comprehensive Accountability Framework is a plan on how to achieve goals and it is working. He added that the sites are working hard to prepare for the implementation of common core standards.

15.0 GOVERNING BOARD AND SUPERINTENDENT COMMENTS/REPORTS

Trustee Ursino commented on attending the annual CSBA conference stating that it was an excellent event.

Trustee Rivas stated that she too had attended the conference, and found it to be productive and came away appreciating more the importance of the work of trustees.

Trustee Orozco commented that she visited the leadership class at Rolling Hills and it was a positive experience.

Trustee Osmundson reported that she had attended the On the Same Page event at the Mello Center noting that it is a vital and wonderful program.

At 10:30 pm, trustee Yahiro moved to extend the meeting until 11:00 pm. Trustee De Serpa seconded the motion. The motion passed 4/1/2 (Osmundson dissented; Orozco, Rivas abstained).

Trustee Yahiro commented that PVUSD is in a wonderful community that supports its students and the passage of Measure L at 68.9% is a clear indication. He added that trustees have an obligation to make right on the community's trust.

Trustee De Serpa spoke about the positive effects of RTI at Valencia. She added that common core standards will help students become better learners. She expressed her concern for Special Education. She thanked Doug Keegan for his work adding that he has been her mentor on the board.

President DeRose reported that CSBA conference was very successful. She appreciated that the Executive Assistant was able to attend the conference. She encouraged trustees to take a look at CSBA's links about the conference.

16.0 UPCOMING BOARD MEETINGS/REMAINING BOARD MEETINGS FOR 2013

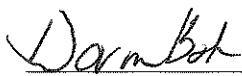
All meetings, unless otherwise noted, take place at the District Office Boardroom, 292 Green Valley Road, Watsonville, CA. Closed Session begins at 6:00 pm; Open Session begins at 7:00 pm.

The schedule is to be approved under item 8.5.

President DeRose reminded all of the special meeting on Tuesday December 11 at 7 pm.

17.0 ADJOURNMENT

There being no further business to discuss, the meeting of the board adjourned at 10:35 pm.



Dorma Baker, Superintendent



**December 11, 2012
SPECIAL MEETING
SELECTION OF OFFICERS AND 2013 MEETING SCHEDULE
UNADOPTED MINUTES**

**7:00 p.m. – 8:00 p.m.
DISTRICT OFFICE
HUMAN RESOURCES CONFERENCE ROOM
294 Green Valley Road
Watsonville, CA 95076**

1.0 OPENING CEREMONY – MEETING OF THE BOARD IN PUBLIC - 7:00 P.M.

President DeRose called the special meeting of the Board in public to order at 7:01 pm at 294 Green Valley Road, Watsonville, CA.

1.1 Pledge of Allegiance

Trustee Orozco led the Board in the Pledge of Allegiance.

1.2 Welcome by Board President

Trustees Kim De Serpa, Maria Orozco, Karen Osmundson, Lupe Rivas, Jeff Ursino, Willie Yahiro and President Leslie De Rose were present.

2.0 APPROVAL OF THE AGENDA

Trustee De Serpa moved to approve the agenda. Trustee Rivas seconded the motion. The motion passed unanimously.

3.0 REPORT, DISCUSSION AND POSSIBLE ACTION ITEMS

Superintendent Dorma Baker recognized the work of board president DeRose stating that she was a remarkable leader.

Public comment:

Bill Beecher, community member, mentioned that the task of the president of the board is important. Leadership and vision qualities should be taken into account.

Dan Hernandez, community member, commented on transition of non-English speaking students into English, which should be 1 – 3 years. He noted that these are tough times for public leaders.

Jack Carroll, teacher, commented on the functionality of the agenda committee. He noted that Board Bylaw 9322 allows members of the public to request items to be included on the agenda. In 2010 he submitted an item which has not been placed on the agenda yet.

**3.1 Election of Officers of the Board and Appointment of Representative to the Board
Agenda Review Committee**

1. President

President DeRose thanked all for their support and asked trustees interested in being president to voice their interest. Trustees Osmundson and Yahiro expressed their interest.

Trustee De Serpa nominated trustee Yahiro for president. Trustee Ursino seconded the motion. A roll call vote was taken and the motion passed 6/1 (Osmundson dissented).

Trustee DeRose passed the gavel to president Yahiro.

2. Vice President/Clerk

President Yahiro asked for nominations for VP/Clerk.

Trustee DeRose nominated trustee De Serpa. Trustee Osmundson seconded the motion. A roll call vote was taken and the motion passed unanimously.

3. Board Agenda Review Committee - Third Member

President Yahiro appointed trustee Orozco to the Agenda Review Committee. Mr. Yahiro noted that her participation on the committee would balance representation of the district's areas.

3.2 Report, discussion and possible action on 2013 Board Meeting Schedule

Report by Dorma Baker, Superintendent.

Superintendent Baker commented that there was a request to move the meeting from January 23rd to January 16th.

Trustee Ursino moved to approve the change to the board meeting schedule. Trustee Orozco seconded the motion. The motion passed unanimously.

4.0 ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 7:45 pm.


Dorma Baker, Superintendent



Board Agenda Backup

Item No: 8.0 & 12.3

Date: January 16, 2013

Item: California School Employees Association (CSEA), Chapter 132 Sunshine Proposal for the 2012-2013 school year, to the Pajaro Valley Unified School District (PVUSD), for Public Hearing

Overview: Government Code Section 3547, the Rodda Act, requires initial bargaining proposals to be presented for public comment. This public hearing provides the opportunity for public comment related to the initial bargaining proposal from CSEA to PVUSD.

Recommendation: The Board accepts public comment and accepts CSEA's Sunshine Proposal to PVUSD.

Prepared By: Sharon Roddick, Assistant Superintendent Human Resources

Superintendent's Signature:

Dorm Bosh



California School Employees Association
Pajaro Valley Chapter #132
Area C • Region 48

essential | extraordinary
work | workers

December 7, 2012

Chapter Officers

Leticia Oropeza

President

Student Services

leticia_oropeza@pvusd.net

831-786-2100 ext. 2841

Victoria Borba

1st Vice President

Transportation

vicki_borba@pvusd.net

831-728-6324

Esther Morillo

2nd Vice President

AVCI

esther_morillo@pvusd.net

831-728-6225 ext. 4962

Marisa Hernandez

Secretary

Secondary Education

marisa_hernandez@pvusd.net

831-786-2100 ext. 2540

Diana Martinez

Treasurer

E.A. Hall

diana_martinez@pvusd.net

831-728-6270 ext. 4078

Zenaida Castillo

CPRO

SELPA

zenaida_castillo@pvusd.net

831-786-2100 ext. 2823

Robin Butterworth

CPAC

SELPA

robin_butterworth@pvusd.net

831-786-2100 ext. 2794

The California School Employees Association and its Chapter #132 hereby submits the following list of articles from the master contract to be "Sunshine" under the EERA 35479(a) for the school year 2012-2013.

1. Article XIII-Evaluation

CSEA wants to assure employees do not receive poor evaluations due to shortage of staff at all sites.

2. Article XIV-Health & Welfare

CSEA has an interest in maintaining and reinstating loss of previous health care services.

3. Article XV-Pay & Allowances

In order to attract and retain employees CSEA will propose a fair and equitable pay raise.

4. Article XIX- Professional Growth

CSEA has an interest to increase the points earned.

5. Article XXVII-Transportation

CSEA has an interest to review the field trip assignments

PAJARO VALLEY UNIFIED SCHOOL DISTRICT



Board Agenda Backup

Item No: 10.3

Date: January 16, 2013

Item: Migrant & Seasonal Head Start Budget Revision – End of Year

Overview: This is a request to the grantee for an end-of-year budget revision. The grant year is March 1, 2012 – February 28, 2013. This budget revision takes savings, principally from personnel and fringe benefits, and reallocates them to identified areas of Program need. Among other activities, the Program's "off season" is when center repair and facility projects can take place.

Recommendation: Approve Migrant & Seasonal Head Start End of Year Budget Revision

Budget Considerations:

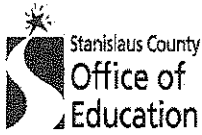
Funding Source:

Budgeted: Yes: ☒ No: ☐

Amount: See attached request for budget revision to funding source

Prepared By: Carole L. Clarke, Director, Migrant & Seasonal Head Start

Superintendent's Signature: Dorm Bal



Basic X
T & TA ☐
Non-Federal ☐
Administration ☐
Other: ☐

MHS/RHS/EHS
DELEGATE BUDGET REVISION REQUEST

Program Year 2012-2013

Delegate: Pajaro Valley Unified School District

Federal/State Classification	Description	Current Approved Budget	Requested Changes +/-	Requested Revised Budget
6a - Personnel				
1000	Certificated	1,171,696	34,314	1,205,910
2000	Classified	1,122,919	(145,547)	977,372
Sub-Total		2,294,615	(111,233)	2,183,382
6b - Fringe Benefits				
3100	STRS	96,657	(2,354)	94,303
3200	PERS	184,384	(28,198)	156,186
3300	OASDI/Medicare	104,089	(15,880)	88,209
3400	Health/Welfare/Other Benefits	1,036,899	(169,884)	867,015
3500	SUI	121,175	(27,568)	93,607
3600	Workers Comp	61,875	11,747	73,622
3700	Retiree Benefits	31,345	69,646	100,991
Sub-Total		1,636,424	(162,292)	1,474,133
6c - Travel (out of service area) - Staff				
5241	Travel (non-local)	12,228	(9,666)	2,562
Sub-Total		12,228	(9,666)	2,562
6d - Equipment (Over \$25,000 - Needs Prior ACF Approval)*				
				-
Sub-Total		-	-	-
6e - Equipment (Over \$5,000)				
	Interpretation Units	-	15,000	15,000
	Hearing Screening machines	-	10,000	10,000
Sub-Total		-	25,000	25,000
6e - Supplies				
	Replacement Office Equipment	5000	9648	14,648
	Instructional Supplies	104,330	61,087	165,417
	Other supplies	91,362	73,171	164,533
	Food services supplies	28,629	3,911	32,540
Sub-Total		229,321	147,817	377,138
6f - Contracts				
	Family Child Care Homes	1,704,774	(6,211)	1,698,563
Sub-Total		1,704,774	(6,211)	1,698,563
6g - Renovation/Construction (Needs prior ACF approval)*				
Sub-Total		-	-	-
6h - Other				
	Travel (local)	13,332	(6,320)	7,012
	Membership	1,500	750	2,250
	Insurance-Liability, Fire, Student	11,000	(11,000)	-
	Utilities, Telephone	6,655	(1,710)	4,945
	Rentals, Leases & Repairs	62,000	140,202	202,202
	Consultants	58,350	(18,472)	39,878
	Field Trips	-	-	-
	Other Services & Oper. Expenses	50,767	21,567	72,334
	District Services	85,640	(7,434)	78,206
Sub-Total		289,244	116,584	405,828
6i - Indirect Costs				
	Indirect Costs	162,486	-	162,486
Sub-Total		162,486	-	162,486
Grand Totals		6,328,992	(0)	6,328,992

*May require prior Regional Office Approval

Delegate Director: [Signature]
Date: 12/14/12

Policy Committee Chair: [Signature]
Policy Committee Approval Date: 12-13-2012

Grantee Director: _____
Date: _____

Board Approval: _____
Board Approval Date: _____

End of Year Budget Revision

2012-2013

SAVINGS

\$289,402

Principal Saving Sources

Savings in Salaries/benefits:

\$273,525

Health/Disabilities Manager Position

Nutrition Coordinator Position

Site Supervisor position vacant for part of the season

Teachers covered part of the season by substitutes

Instructional Aide to work with children with disabilities

One part time Family Service Worker

Savings in Out- of -Area Travel

\$9,666

Cancellation of the National Migrant and Seasonal Head Start Conference
and Family Child Care Forums

Savings in Family Child Care Home Reimbursements

\$6,211

Recommended Principal Areas to spend saved funds

Equipment over \$5,000

\$25,000

Simultaneous Interpretation Equipment

Hearing Screening Machines

Supplies and Materials

\$147,817

Instructional materials and other necessary materials for program operations

Replacement of office printers; fax machine; center fax/copiers

Custodian equipment

Classroom supplies

Children's books

Parent training materials

Emergency supplies

Health supplies

Other

\$116,584

Center repairs, maintenance, projects (for example, ramp replacement, shed replacement, asphalt,
fencing, gates, center hand washing/sinks, repair water-damaged flooring, paint, torn shade canopies,
playground surfacing, other items noted in safety inspection reports

Contingency funds for unforeseen expenses



PAJARO VALLEY UNIFIED SCHOOL DISTRICT



Board Agenda Backup

Item No: 10.4

Date: January 16, 2013

Item: Approve contract for Measure L Bond Program Management Services

Overview: At its meeting in November, the Board of Trustees unanimously approved the selection of Total School Solutions as the district's Measure L bond program manager. The board further authorized district staff to negotiate a contract for such services. Attached is the proposed contract and exhibits subject to the board's approval. Staff negotiated a contract that is favorable to the district's needs, addresses possible liabilities and risks, with a fee structure below industry standards. Furthermore, the contract reflects the comprehensive elements and complexities of the district's upcoming bond program. The Measure L bond program will be a large program with dozens of construction and modernization projects occurring simultaneously throughout the district. The program management contract reflects this challenge and provides assurances that the district can accomplish its goals and objectives according to the bond language and within an expedited timeframe. Funds for this activity were included in the Measure L bond program approved by voters and calculated in the 2012 Facility Master Plan and Needs Assessment.

TSS personnel will report to and operate under the direction of the district's Director of Management, Operations, and Facilities and the Chief Business Officer.

Recommendation: Adopt contract with Total School Solutions for bond program management services as submitted

Budget Considerations:

Funding Source: Measure L bond funds, no General Fund

Budgeted: Yes

Amount: Fixed fee percentage based on bond funds expended

Prepared By: Brett W. McFadden, Chief Business Officer

Superintendent's Signature:

Dorm Bat

AGREEMENT FOR PROGRAM MANAGEMENT SERVICES RELATED TO DISTRICT BOND PROGRAM

This Agreement for Program Management Services is made as of the 16th day of January in the year 2013, (Effective Date) between the Pajaro Valley Unified School District (**DISTRICT**), a California public school district, and Total School Solutions (**PROGRAM MANAGER**), for the District's Measure L bond program (Program).

WITNESSETH:

That for and in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1. - DEFINITIONS

1. In addition to the definitions above, the following definitions for words and/or phrases shall apply when used in this Agreement, including all Exhibits:
 - a. **Agreement:** The Agreement consists exclusively of this document and all identified exhibits thereto.
 - b. **As-Built Drawings ("As-Built"):** A final set of drawings prepared by the Design Teams that incorporates all changes from all Record Drawings, sketches, details, and clarifications.
 - c. **Bid Set:** The plans, drawings, and specifications and other documents prepared by licensed design professionals and approved, where required, by the DSA which are used by the District as the basis for soliciting and receiving bids for the construction of a project.
 - d. **Construction Cost Budget:** The total cost to the **DISTRICT** for the construction of all elements of a Project, as adjusted at the end of each design phase for a Project in accordance with this Agreement. The Construction Cost Budget does not include the compensation of the Design Teams, the **PROGRAM MANAGER**, the Construction Managers, the cost of the land, rights-of-way, financing or other costs which are the responsibility of the **DISTRICT**.
 - e. **Consultant(s):** Any and all consultant(s), sub-consultant(s), subcontractor(s), or agent(s) to the **PROGRAM MANAGER**.
 - f. **Construction Managers:** Construction Managers retained by the **DISTRICT** to provide construction management services for individual Projects.
 - g. **Contractors:** The contractors for the individual projects.
 - h. **Design Teams:** The Project Architects and consultants contracted by the Project Architects in the course of preparing and implementing the project documentation.
 - i. **DSA:** The Division of the State Architect.

- j. **Master Program Budget:** The total cost to the District of all elements of the Program including compensation of the Project Architects, the Construction Managers, and the **PROGRAM MANAGER**. The Master Budget shall also include all construction costs for each project which shall be the Construction Cost Budget. The Construction Cost Budget shall be a subcategory of the Master Program Budget. The Master Program Budget does not include the costs of land, rights-of-way, financing, **DISTRICT** staff labor, or other related costs that are the responsibility of the **DISTRICT**.
- k. **Master Program Schedule:** The combined schedules of all projects included in the Program. The Master Program Schedule shall indicate the estimated project expenditures and the schedule of anticipated revenues.
- l. **Master Plan:** The Facilities Master Plan for the Program as approved by the District Board.
- m. **Project:** Any individual School project listed on the Master Program Schedule.
- n. **Project Inspector (PI):** A DSA certified and approved Project Inspector as required by Section 4-333 of Part 1, Title 24 of the California Code of Regulations.
- o. **Program:** All work and all projects performed and funded in whole or in part by Measure L funds, the state facilities funds, developer fees and any other funds used to supplement or augment Measure L funding.
- p. **Project Architects:** Architects of Record retained by the District to provide project services for particular Projects.
- q. **Record Drawings:** Any document prepared and submitted by District contractor(s) that records the changes made during the construction process on a Conforming Set including changes necessitated by change orders.
- r. **Service(s):** All labor, materials, supervision, services, tasks, and work that the **PROGRAM MANAGER** is required to perform and that are required by, or reasonably inferred from, the Agreement.
- s. **Work:** The services of the **PROGRAM MANAGER** as described in Exhibit A.

ARTICLE 2. RESPONSIBILITIES AND SERVICES OF PROGRAM MANAGER

1. Scope: The **PROGRAM MANAGER** shall provide the services described herein and under Exhibit A for the Program.
2. Coordination: In the performance of the **PROGRAM MANAGER's** services under this Agreement, the **PROGRAM MANAGER** agrees that it will maintain such coordination with **DISTRICT** personnel and/or its designated representatives as may be needed and desirable.

3. **PROGRAM MANAGER's** Services: The **PROGRAM MANAGER** shall act as the **DISTRICT's** agent to render the services and furnish the Work as described in Exhibit A, commencing with receipt of a written Notice to Proceed signed by the **DISTRICT** representative.

ARTICLE 3. PROGRAM MANAGER STAFF

1. The **PROGRAM MANAGER** has been selected to perform the work herein because of the skills and expertise of key individuals.
2. The **PROGRAM MANAGER** agrees that the following key people in **PROGRAM MANAGER's** firm shall be associated with the Project in the following capacities:
 - i. Principal-In Charge: Tahir Ahad
 - ii. Program Director: Dennis L. Dunston
 - iii. Deputy Program Manager: Romeo Tabaranza
3. The **PROGRAM MANAGER** shall not change any of the key personnel listed above without prior written approval by the **DISTRICT**, which approval shall not be unreasonably withheld, unless said personnel cease to be employed by the **PROGRAM MANAGER**. In either case, the **DISTRICT** shall be allowed to interview and approve replacement personnel.
4. If any designated lead or key person fails to perform to the satisfaction of the **DISTRICT**, then upon written notice the **PROGRAM MANAGER** shall immediately remove that person from the Project and provide a temporary replacement, the **PROGRAM MANAGER** shall within twenty (20) work days provide a permanent replacement person acceptable to the **DISTRICT**.
5. The **PROGRAM MANAGER** represents that the **PROGRAM MANAGER** has no existing interest and will not acquire any interest, direct or indirect, which could conflict in any manner or degree with the performance of services required under this Agreement and that no person having any such interest shall be employed by the **PROGRAM MANAGER**.

ARTICLE 4. SCHEDULE OF WORK

The **PROGRAM MANAGER** shall commence work under this Agreement upon receipt of a Notice to Proceed and shall prosecute the work diligently as described in Exhibit A.

ARTICLE 5. MASTER BUDGET AND CONSTRUCTION COST BUDGET

1. The **PROGRAM MANAGER** hereby accepts the **DISTRICT's** established Master Program Budget for the Program. In accordance with Exhibit "A", the **PROGRAM MANAGER** shall have responsibility to further develop, review, and reconcile the Master Program Budget for the **DISTRICT** at the beginning of the Program and at the completion of each design phase for each Project.

2. The **PROGRAM MANAGER** shall work with the **DISTRICT** to establish the Construction Cost Budget for each Project in conformance with the Master Program Budget.
3. The **PROGRAM MANAGER** shall work cooperatively with the Project Architects and Construction Managers during the Master Planning Phase, the Pre-Design, Schematic Design Phase, Design Development Phase, and Construction Documents Phase, as described in Exhibit A, so that the construction cost for each Project will not exceed the Construction Cost Budget as much as reasonably feasible, for that respective Project as adjusted subsequently with the **DISTRICT's** written approval.
4. Evaluations of the **DISTRICT's** Master Budget, Construction Cost Budget, and preliminary and detailed cost estimates prepared by the **PROGRAM MANAGER**, represent the **PROGRAM MANAGER's** best judgment as a professional familiar with the construction industry.
5. The Construction Cost Budget for a Project will be established by the **PROGRAM MANAGER** with the **DISTRICT** as part of work in the Pre-design and Master Planning phases as described on Exhibit "A." This cost includes building construction costs ("hard costs") and allowed design contingencies.
6. The Construction Cost Budget for a Project shall be reconciled with the Master Program Budget and the Design Team's Construction Cost Estimate and adjusted at the completion of each design phase.

ARTICLE 6. FEE AND METHOD OF PAYMENT

1. The **DISTRICT** shall pay the **PROGRAM MANAGER** compensation as shown on Exhibit B, Fee Schedule.
2. The **PROGRAM MANAGER** shall bill its work under this Agreement on a monthly fixed fee basis in accordance with the attached Fee Schedule, Exhibit B.
3. If the **DISTRICT** suspends the Program for more than 90 consecutive days, the **PROGRAM MANAGER** shall be compensated for services performed prior to notice of such suspension. When the Program is resumed the **PROGRAM MANAGER** shall be compensated for actual and reasonable expenses incurred in the interruption and resumption of the **PROGRAM MANAGER's** services. The **PROGRAM MANAGER's** fees for the remaining services and the time schedules shall be equitably adjusted if the suspension of program services necessitates additional effort or costs.
4. The **PROGRAM MANAGER's** fee set forth in this Agreement shall be full compensation for all of **PROGRAM MANAGER's** work incurred in the performance hereof, including, without limitation, all costs for personnel, travel, offices, per diem expenses, any other direct or indirect expenses incident to providing the services, and any other items specified in Exhibit A.
5. Reimbursable expenses shall be billed at 110% of the **PROGRAM MANAGER's** actual costs. Allowable reimbursable expenses shall be presented to the **DISTRICT** for prior approval, and shall include: office equipment, office supplies and furnishings, postage, hard hats, first aid equipment, project signage, and other items

approved by the **DISTRICT**. The **DISTRICT** shall provide a central office for the **PROGRAM MANAGER**. The **DISTRICT** may provide job site trailers, with necessary appurtenances, or it may request that the **PROGRAM MANAGER** provide same, in which case those costs shall be charged to the **DISTRICT** as reimbursable expenses, but those costs shall not be limited to the budgeted amounts in the Master Program Budget and pre-approved by the **DISTRICT**.

ARTICLE 7. PAYMENT FOR EXTRA WORK OR CHANGES

1. Any charges for extra work shall be paid by the **DISTRICT** as described in Exhibit B only upon certification that the claimed extra work was authorized in advance by the **DISTRICT** and that the work has been satisfactorily completed.

ARTICLE 8. OWNERSHIP OF DATA

1. After Completion of each Project or after termination of this Agreement, the **PROGRAM MANAGER** shall deliver to the **DISTRICT** a complete set of Project records, including without limitation all documents generated by the **PROGRAM MANAGER**, copies of all documents exchanged with or copied to or from all other Program participants, and all closeout documents. Said Program records shall be indexed and appropriately organized for easy use by the **DISTRICT** personnel.

ARTICLE 9. TERMINATION OF CONTRACT

1. If the **PROGRAM MANAGER** fails to perform the **PROGRAM MANAGER's** duties as required herein, or if the **PROGRAM MANAGER** fails to fulfill in a timely and professional manner the **PROGRAM MANAGER's** material obligations under this Agreement, or if the **PROGRAM MANAGER** shall violate any of the material terms or provisions of this Agreement and fails to resolve such material default within thirty (30) working days, or if the default cannot be resolved within thirty (30) working days commence to resolve such default, diligently pursue such resolution, and complete the resolution within a reasonable time following written notice and demand from **DISTRICT**, the **DISTRICT** shall have the right to terminate this Agreement, in whole or in part, at the **DISTRICT's** discretion, upon the **DISTRICT** giving a 30-day written notice thereof to the **PROGRAM MANAGER**. The **DISTRICT** shall also have the right in its sole discretion to terminate the Agreement for its own convenience. Termination shall have no effect upon any of the rights and obligations of the parties arising out of any transaction occurring prior to the effective date of such termination.
2. The **PROGRAM MANAGER** has the right to terminate this Agreement if the **DISTRICT** does not fulfill its material obligations under this Agreement and fails to resolve such material default within 45 (forty-five) days, or if the default cannot be resolved within 45 (forty-five) days, commence to resolve such default, diligently pursue such resolution, and complete the resolution within a reasonable time following written notice and demand from **PROGRAM MANAGER**. Such termination shall be effective after receipt of written notice from **PROGRAM MANAGER** to the **DISTRICT**.
3. The **DISTRICT** retains the right to terminate, either for convenience or for cause, upon giving a 30 days notice, **PROGRAM MANAGER's** performance on any of the Projects, or as Program Manager. The **PROGRAM MANAGER** agrees to continue to

perform all non-terminated portions of this Agreement in that case, and the Parties agree that **PROGRAM MANAGER's** compensation shall be adjusted accordingly.

ARTICLE 10. INDEMNITY CLAUSE

1. The **PROGRAM MANAGER** shall defend, indemnify and hold the **DISTRICT**, its directors, officials, officers and employees free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, to the extent that any of the above are caused by the willful misconduct or negligent acts of the **PROGRAM MANAGER**, its officials, officers, employees, subcontractors, consultants or agents in the performance of the Services, the Program, the Projects or this Agreement including the payment of all consequential damages which are reasonably foreseeable to the **PROGRAM MANAGER**.
2. The **PROGRAM MANAGER** shall pay and satisfy any judgment, award or decree that may be rendered against the **DISTRICT**, its directors, officials, officers and employees in any such suits, actions or other legal proceedings to the extent caused by the above agreement to indemnify.
3. The **PROGRAM MANAGER** shall also reimburse the **DISTRICT** for the cost of any settlement paid by the **DISTRICT** arising out of any such claims, demands, causes of action, costs, expenses, liabilities, losses, damages, injuries, suits, actions, or other legal proceedings to the extent caused by the above agreement to indemnify except the damages **DISTRICT** has paid arising out of its own negligence. The **PROGRAM MANAGER** shall reimburse the **DISTRICT**, its directors, officials, officers and employees for any and all legal expenses and costs, including expert witness fees, incurred by each of them in connection therewith or in enforcing the indemnity hereto provided to the extent caused by the above agreement to indemnify except to the extent that the **DISTRICT** has paid for damages arising out of its own negligence.
4. The **DISTRICT** shall cause Contractors, subcontractors, or consultants to indemnify and hold harmless the **PROGRAM MANAGER** from and against any and all claims, demands, suits, damages, including consequential damages and damages resulting from personal injury or property damage, costs, expenses and fees that are asserted against the **PROGRAM MANAGER** and that arise out of or result from wrongful acts or omissions by the District staff, Contractor and consultants in performing the Work.

ARTICLE 11. FINGERPRINTING

1. Pursuant to Education Code section 45125.2, the **DISTRICT** has determined on the basis of scope of work in this Agreement of this Project, that the **PROGRAM MANAGER** and its subcontractors and employees will have only limited contact with pupils at most. The **PROGRAM MANAGER** shall promptly notify the **DISTRICT** in writing of any facts or circumstances which might reasonably lead the **DISTRICT** to determine that contact will be more than limited as defined by Education Code section 45125.1 (d).

ARTICLE 12. RESPONSIBILITIES OF THE DISTRICT

1. The **DISTRICT** shall examine the documents submitted by the **PROGRAM MANAGER** and shall render decisions so as to avoid unreasonable delay in the process of the **PROGRAM MANAGER's** services as follows:
 - a. The **DISTRICT** shall provide to the **PROGRAM MANAGER** complete information regarding the **DISTRICT's** requirements for the Program.
 - b. The **DISTRICT** shall furnish legal, accounting, contract review and insurance counseling services as may be necessary to protect the **DISTRICT's** interests.
 - c. If the **DISTRICT** observes or otherwise becomes aware of any fault or defect in the Project or the **PROGRAM MANAGER's** services, or any nonconformity with the Contract Documents, the **DISTRICT** shall give prompt written notice thereof to the **PROGRAM MANAGER**; failure to give such notice shall not be deemed to be a waiver.
 - d. The **DISTRICT** shall retain Design Professionals and Construction Managers whose services, duties and responsibilities shall be described in a written agreement between the **DISTRICT** and Design Professionals or the **DISTRICT** and the Construction Managers. The terms and conditions of said agreements shall not be changed without written notification to the **PROGRAM MANAGER**. The **DISTRICT** shall furnish a copy of the Owner-Architect Agreement and the Owner-CM Agreement and any amendments to the **PROGRAM MANAGER**, that designate the contractual responsibilities of all parties.
 - e. At the request of the **PROGRAM MANAGER**, sufficient copies of the Contract Documents shall be furnished to the **PROGRAM MANAGER** to permit the timely performance of services, by the **DISTRICT** at the **DISTRICT's** expense.
 - f. The **DISTRICT** shall, in a timely manner secure, submit and pay for necessary approvals, easements, assessments, permits and charges required for the construction, use or occupancy of permanent structures or for permanent changes in existing facilities, subject to **PROGRAM MANAGER's** and/or the Design Professional(s) duties to recommend.
 - g. The **DISTRICT** shall send to the **PROGRAM MANAGER** and shall require the Design Professionals to send to the **PROGRAM MANAGER**, copies of all notices communications sent to or received by the **DISTRICT** or Design Professionals or Construction Managers relating to a Project. During the Construction Phase of the Projects, the **DISTRICT** shall require that the Contractors and Construction Managers submit copies of all notices and communication relating to the Projects directly to the **PROGRAM MANAGER**.
 - h. The **DISTRICT** shall designate an officer, employee or other authorized representatives to act in the **DISTRICT's** behalf with respect to the Program. The **DISTRICT's** representative for the Program shall be available during working hours and as often as may be required to render decisions and to furnish information in a timely manner.
 - i. The **DISTRICT** shall provide timely and accurate accounting information and project expenditures for all projects within this Program and covered under this

Agreement in order for the **PROGRAM MANAGER** to provide the **DISTRICT** required reports.

- j. The **DISTRICT** shall be responsible for the management, coordination, and administration of the Bond Oversight Committee and its website. Notwithstanding the preceding, the **PROGRAM MANAGER** shall cooperate and assist the **DISTRICT** with providing information and reports to the Bond Oversight Committee. The **PROGRAM MANAGER** shall attend all Bond Oversight Committee meetings and assist the **DISTRICT** in preparing material and information for the Bond Oversight Committee.
- k. The **DISTRICT** shall be responsible for all contracting functions, which includes but is not limited to, bid opening, determining responsiveness of bids, responsibility of bidders and awarding of contracts in accordance with California Public Contract Code and the Education Code and any other applicable laws. Notwithstanding the preceding, the **PROGRAM MANAGER** shall advise and assist the **DISTRICT** with respect to bid opening, determining responsiveness of bids, responsibility of bidders and awarding of contracts in accordance with California Public Contract Code and the Education Code and any other applicable laws.
- l. The **DISTRICT** shall be responsible for all contracting functions, which includes but is not limited to, selection, negotiation and award of professional and other specialty contracts in accordance with California Public Contract Code and the Education Code and any other applicable laws. Notwithstanding the preceding, the **PROGRAM MANAGER** shall advise and assist the **DISTRICT** with respect to selection, negotiation and award of professional and other specialty contracts in accordance with California Public Contract Code and the Education Code and any other applicable laws.
- m. The **DISTRICT** shall provide written direction signed by the Associate Superintendent of Business Services or the Director of Maintenance, Operations and Facilities with regard to any issues arising out of this Agreement.
- n. The **DISTRICT** shall prepare any Board items to be presented at the Board meetings. Notwithstanding the preceding, the **PROGRAM MANAGER** shall review and assist the **DISTRICT** with respect to preparing Board items, including preparing reports, summaries, background and substantiating information for the Board agenda items/meetings.
- o. The **DISTRICT** shall be responsible for submission and approval process of any design documents through the Division of State Architect. Notwithstanding the preceding, the **PROGRAM MANAGER** shall assist the **DISTRICT** in expediting timely response and approval of any design or construction material submitted for projects under this Program.

ARTICLE 13. LIABILITY OF DISTRICT

- 1. Other than as provided in this Agreement, the **DISTRICT's** obligations under this Agreement shall be limited to the payment of the compensation provided in this Agreement.

2. Any and all costs incurred by the **DISTRICT**, or for which the **DISTRICT** may become liable, to the extent caused by negligence of the **PROGRAM MANAGER** in its performance hereunder, shall be paid to the **DISTRICT** by the **PROGRAM MANAGER** as provided for herein and/or under California law.

ARTICLE 14. INSURANCE

1. The **PROGRAM MANAGER** shall comply with insurance requirements for this Agreement, set forth in Exhibit C.
2. The **DISTRICT** shall be given 30 days notice prior to cancellation or reduction of coverage amounts of any of the insurance.
3. The **PROGRAM MANAGER** shall provide certificates of insurance and endorsements to the **DISTRICT** prior to commencement of the work of this Agreement as required in Exhibit C.
4. The **PROGRAM MANAGER**, as agent of the **DISTRICT**, shall be named as an additional insured in any insurance policy obtained by the **DISTRICT** for the Project.
5. The **DISTRICT** shall require the contractors to name the **PROGRAM MANAGER** as additional insured in all insurance policies obtained by the contractors for the project.
6. The **DISTRICT** and the **PROGRAM MANAGER** shall provide the other with copies of certificates for all policies obtained for the Program. Each party shall provide the other thirty (30) days of notice of cancellation, non-renewal or endorsement reducing or restricting coverage.

ARTICLE 15. COVENANT AGAINST CONTINGENT FEES

The **PROGRAM MANAGER** warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the **PROGRAM MANAGER**, to solicit or secure this Agreement, and that it has not paid or agreed to pay any company or person, other than a bona fide employee working solely for the **PROGRAM MANAGER**, any fee, commission, percentage, brokerage fee, gift, or any other consideration contingent on or resulting from the award or making of this Agreement. For breach or violation of this warranty, the **DISTRICT** shall have the right to annul this Agreement without liability, or in its discretion, to deduct from the contract price or consideration or otherwise recover the full amount of such fee, commission, percentage fee, gift, or contingency.

ARTICLE 16. ENTIRE AGREEMENT/MODIFICATION

This Agreement, including the Exhibits hereto, supersedes all previous contracts and constitutes the entire understanding of the parties hereto. The **PROGRAM MANAGER** shall be entitled to no other benefits than those specific herein. No changes, amendments or alterations shall be effective *unless* in writing and signed by both parties. The **PROGRAM MANAGER** specifically acknowledges that in entering into this Agreement, the **PROGRAM MANAGER** relies solely upon the provisions contained in this Agreement and no others.

ARTICLE 17. NON-ASSIGNMENT OF AGREEMENT

In as much as this Agreement is intended to secure the specialized services of the **PROGRAM MANAGER**, the **PROGRAM MANAGER** may not assign, transfer, delegate or sublet any interest therein without the prior written consent of the **DISTRICT** and any such assignment, transfer, delegation or sublease without the **DISTRICT's** prior written consent shall be considered null and void. Likewise, the **DISTRICT** may not assign, transfer, delegate or sublet any interest therein without the prior written consent of the **PROGRAM MANAGER** and any such assignment, transfer, delegation or sublease without the **PROGRAM MANAGER's** prior written consent shall be considered null and void.

ARTICLE 18. LAW, VENUE

1. This Agreement has been executed and delivered in the State of California and the validity, enforceability and interpretation of any of the clauses of this Agreement shall be determined and governed by the laws of the State of California.
2. Santa Cruz County, California, in which the **DISTRICT** is located shall be the venue for any action or proceeding that may be brought or arise out of, in connection with or by reason of this Agreement.

ARTICLE 19. ALTERNATIVE DISPUTE RESOLUTION

All claims, disputes or controversies arising out of, or in relation to the interpretation, application or enforcement of this Agreement may be decided through mediation as the first method of resolution. If this method proves unsuccessful, then all claims; disputes or controversies as stated above may be decided through arbitration, if agreed to by all parties.

ARTICLE 20. SEVERABILITY

If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

ARTICLE 21. EMPLOYMENT STATUS

1. The **PROGRAM MANAGER** shall, during the entire term of the Agreement, be construed to be an independent contractor and nothing in this Agreement is intended nor shall be construed to create an employer-employee relationship, joint venture relationship, or to allow the **DISTRICT** to exercise discretion or control over the professional manner in which the **PROGRAM MANAGER** performs the services which are the subject matter of this Agreement; provided always, however, that the services to be provided by the **PROGRAM MANAGER** shall be provided in a manner consistent with all applicable standards and regulations governing such services.
2. The **PROGRAM MANAGER** understands and agrees that the **PROGRAM MANAGER's** personnel are not and will not be eligible for membership in or any

benefits from any **DISTRICT** group plan for hospital, surgical or medical insurance or for membership in any **DISTRICT** retirement program or for paid vacation, paid sick leave or other leave, with or without payer for other benefits which accrue to a **DISTRICT** employee.

3. Should a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Department, or both, determine that the **PROGRAM MANAGER** is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the employment tax due (offsetting any credits for amounts already paid by the **PROGRAM MANAGER** which can be applied against this liability). The **DISTRICT** shall then forward those amounts to the relevant taxing authority.
4. Should a relevant taxing authority determine a liability for past services performed by the **PROGRAM MANAGER** for the **DISTRICT**, upon notification of such fact by the **DISTRICT**, the **PROGRAM MANAGER** shall promptly remit such amount due or arrange with the **DISTRICT** to have the amount due withheld from future payments to the **PROGRAM MANAGER** under this Agreement (again, offsetting any amounts already paid by the **PROGRAM MANAGER** which can be applied as a credit against such liability).
5. A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, the **PROGRAM MANAGER** shall not be considered an employee of the **DISTRICT**. Notwithstanding the foregoing, should any court, arbitrator, or administrative authority determine that the **PROGRAM MANAGER** is an employee for any other purpose, then the **PROGRAM MANAGER** agrees to a reduction in the **DISTRICT's** liability resulting from this Agreement pursuant to principles similar to those stated in the foregoing paragraphs so that the total expenses of the **DISTRICT** under this Agreement shall not be greater than they would have been had the court, arbitrator, or administrative authority determined that the **PROGRAM MANAGER** was not an employee.
6. Nothing in this Agreement shall operate to confer rights or benefits on persons or entities not a party to this Agreement.

ARTICLE 22. REPRESENTATION AND WARRANTIES BY PROGRAM MANAGER

1. The **PROGRAM MANAGER** represents that the **PROGRAM MANAGER** is properly licensed and/or certified under the laws and regulations of the State of California to provide the special services that it has herein agreed to perform.
2. The **PROGRAM MANAGER** represents that it is aware of the provisions of the Labor Code of the State of California, which require every employer to be insured against liability for workers compensation or to undertake self-insurance in accordance with the provisions of that code, and it certifies that it will comply with those provisions before commencing the performance of the work of this Agreement.
3. The **PROGRAM MANAGER** represents that, to extent California or Federal law relating to prevailing wages apply to the **PROGRAM MANAGER's** employees under

this Agreement, it will comply with the said law and indemnify the **DISTRICT** for the **PROGRAM MANAGER's** failure to do so.

ARTICLE 23. COST DISCLOSURE - DOCUMENTS AND WRITTEN REPORTS

The **PROGRAM MANAGER** shall be responsible for compliance with California Government Code section 7550, if the total cost of the Contract is over five thousand dollars (\$5,000).

ARTICLE 24. COMMUNICATIONS

Communications between the parties to this Agreement may be sent to the following addresses:

DISTRICT:

Pajaro Valley Unified School District
294 Green Valley Road
Watsonville, CA 95076

PROGRAM MANAGER:

Total School Solutions
4751 Mangels Boulevard
Fairfield, CA 94534

ARTICLE 25 - OTHER PROVISIONS

1. Neither the **DISTRICT's** review, approval of, nor payment for, any of the services required under this Agreement shall be construed to operate as a waiver of any rights under this Agreement, and the **PROGRAM MANAGER** shall remain liable to the **DISTRICT** in accordance with this Agreement for all damages to the **DISTRICT** caused by the **PROGRAM MANAGER's** failure to perform any of services furnished under this Agreement to the standard of care as stated in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in the dates indicated below:

Dated: _____ Dated: _____

Pajaro Valley Unified School District

Total School Solutions

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A RESPONSIBILITIES AND SERVICES OF PROGRAM MANAGER

I. PROGRAM MANAGEMENT SERVICES

PROGRAM MANAGER shall provide the following program management services with respect to the entire Measure L Building Program:

A. GENERAL

1. Provide work that shall comply with professional standards and applicable requirements of federal, state, and local law;
2. Advise the **DISTRICT** as to the regulatory agencies that have jurisdiction over the Projects, and as to coordination with and implementation of the requirements of the regulatory agencies, including without limitation the Division of the State Architect (DSA), the California Department of Education (CDE) and the Office of Public School Construction (OPSC);
3. Contract for or employ, at the **PROGRAM MANAGER's** expense sub-consultants to the extent deemed necessary for the **PROGRAM MANAGER's** services. Nothing in the foregoing shall create any contractual relationship between the **DISTRICT** and any sub-consultant employed by the **PROGRAM MANAGER** under terms of this Agreement;
4. Cooperate and communicate with other professionals employed by the **DISTRICT**, including without limitation the Design Teams and Construction Managers for the design coordination and management of construction work related to the Program;
5. Chair, conduct and take minutes of periodic coordination meetings involving the **DISTRICT**, the Design Professionals, Construction Managers and Contractors during the course of the projects. The **PROGRAM MANAGER** shall invite the **DISTRICT** and/or its representative to participate in these meetings. The **PROGRAM MANAGER** shall keep meeting minutes to document comments generated in these meetings, but shall not be responsible for analyzing design or construction issues raised in said meetings;
6. Be responsible for the coordination with all Master Plans, studies, reports and other information provided by the **DISTRICT** to the **PROGRAM MANAGER**. The **PROGRAM MANAGER** shall, without additional compensation, correct or revise any errors or omissions in materials it generates;
7. Maintain a log of all meetings, site visits or discussions held in conjunction with the Program, with documentation of major discussion points, observations, decisions, questions or comments. These shall be furnished to the **DISTRICT** and/or its representative for inclusion in the overall program documentation;
8. The **PROGRAM MANAGER** shall coordinate transmittal of documents to regulatory agencies for review and shall advise the **DISTRICT** of potential problems in completion of such reviews;
9. The **PROGRAM MANAGER** shall assist the **DISTRICT** in the preparation of information for a Website for public access to show all aspects of each Project and the Program, including budget, cost, schedule, workforce, participating contractors, opportunities and further direction related to the Program status;

10. When requested in writing by the **DISTRICT**, the **PROGRAM MANAGER** shall provide written evaluation of the Project Architects' and/or the Contractors' performance under the requirements of the Construction Documents;
11. The **PROGRAM MANAGER** shall be responsible for the coordination of all activities related to the **DISTRICT's** Labor Compliance Program;
12. The **PROGRAM MANAGER** shall be responsible for coordinating and monitoring activities relating to the **DISTRICT's** project labor agreements, if applicable, including meeting with unions and Contractors, and coordinating all activities related to award and preconstruction as set forth in the project labor agreements;
13. The **PROGRAM MANAGER** shall coordinate the work of the **DISTRICT's** Hazardous Material consultants in relation to each of the projects in the Program. The **PROGRAM MANAGER** shall assist in selecting consultants, coordinate work of the consultants and assist the **DISTRICT** in coordinating the work product of Hazmat consultants into the project bid documents;
14. The **PROGRAM MANAGER** shall coordinate all aspects of moving, facilities transitions, furnishings and equipment relocations and building preparation for construction and occupancy. This shall include assistance with selection management and coordination of movers, vendors, and others involved;
15. Communications to Board: The **PROGRAM MANAGER** may be required to attend meetings of the **DISTRICT's** Board of Trustees, and to provide updates as directed by **DISTRICT** staff;
16. Community Outreach: Assist the **DISTRICT** in encouraging participation in the **DISTRICT's** Program with respect to small local businesses, women-owned businesses, minority-owned businesses and disabled veterans owned businesses;
17. For all meetings the **PROGRAM MANAGER** is required to attend as part of this Agreement, **DISTRICT** will ensure the **PROGRAM MANAGER** is provided adequate advance notification of such meetings.
18. The **PROGRAM MANAGER** is not responsible for:
 - A. Ground contamination or hazardous material analysis;
 - B. Any hazardous material testing, design or abatement however, it shall coordinate and integrate its work with any such information provided by **DISTRICT** as stated above;
 - C. Compliance with the California Environmental Quality Act ("CEQA"), except that the **PROGRAM MANAGER** agrees to coordinate its work with that of any CEQA consultants retained by the **DISTRICT**, and to provide current information for use in CEQA compliance documents;
 - D. Historical significance report;
 - E. Soils investigation;
 - F. Geotechnical hazard report;
 - G. Topographic survey, including utility locating services;
 - H. Other items specifically designated as the **DISTRICT's** responsibilities under this Agreement;
 - I. Inspection Services;

J. Any other testing services not identified above;

COST CONTROLS

1. In consultation with the Design Teams, the **PROGRAM MANAGER** shall review the payment applications submitted by each Contractor or Construction Manager (as applicable), vendors and consultants, and determine whether the amount requested reflects the progress of the party's work. The **PROGRAM MANAGER** shall make appropriate adjustments to each payment application and shall prepare and forward to the **DISTRICT** a Progress Payment Report. The Report shall state the total contract price, payments to date, current payment requested, retention and actual amounts owed for the current period. Included in this report shall be a Certificate of Payment that shall be signed by the **PROGRAM MANAGER** and delivered to the **DISTRICT**;
2. The **PROGRAM MANAGER** shall prepare and implement methods to budget and track all expenditures on each Project. The **PROGRAM MANAGER** shall generate monthly reports, to the **DISTRICT** reflecting this information.
3. The **PROGRAM MANAGER** shall coordinate with The **DISTRICT** staff and assist the **DISTRICT** staff with the processing of the payments of all Design Professionals, Construction Managers, vendors and contractors involved in the Projects, including purchase requisitions and recommending invoices for payment, and attending any related meetings;

SCHEDULES

1. Based on information provided by the **DISTRICT**, the **PROGRAM MANAGER** shall prepare a Master Program Schedule of projects. This schedule shall be based on information on the availability of funding and priorities provided by the **DISTRICT**.
2. The **PROGRAM MANAGER** shall monitor and coordinate with Design Teams and Construction Managers adjustments and updates to the Master Program Schedule and distribute copies to the **DISTRICT**, Construction Managers and Design Teams. Recommendations for such adjustments to the Master Program Schedule shall be made to the **DISTRICT**, and upon the **DISTRICT's** approval, shall be incorporated by the **PROGRAM MANAGER**;
3. The **PROGRAM MANAGER** shall develop methods to track and report on schedule status for each project and for the overall Program. Based on information provided by the Construction Managers and the Design Teams, the **PROGRAM MANAGER** shall develop master schedules and milestone schedules for each Project, and shall report on same each month to the **DISTRICT**.

B. PROGRAM SERVICES

1. General: The **PROGRAM MANAGER** shall monitor and advise the **DISTRICT** as to all material developments in the Program and the Projects. The **PROGRAM MANAGER** shall develop and implement with **DISTRICT** approval reporting methods for schedules, cost and budget status, and projections for each project in the

DISTRICT's Program. The **PROGRAM MANAGER** shall be the focal point of all communication to and from construction contractors/Construction Managers and shall be copied on all communications between **DISTRICT** and its Design Professionals;

2. Project Scope: The **PROGRAM MANAGER** shall develop the initial scope of all projects based on the Facilities Master Plan and input from the **DISTRICT**. The Project Scope will be verified by the Design Teams and Construction Managers prior to commencing design work.

C. PRE-DESIGN AND PROGRAMMING PHASE SERVICES

1. PROGRAM DEVELOPMENT

Upon final execution of the Agreement with the **DISTRICT**, the **PROGRAM MANAGER** shall:

- a. Participate in a general Project kick-off meeting to include the **PROGRAM MANAGER**, Design Teams, Construction Managers and **DISTRICT** staff;
- b. Surveys of Existing Facilities: Evaluate reports and surveys regarding existing conditions, including geotechnical and hazardous materials issues. Develop proposed scopes of work for each site in conjunction with the **DISTRICT**, Project Architects and Construction Managers. Assist the **DISTRICT** with establishing priorities for each site;
- c. Educational Specifications: Assist the **DISTRICT** with developing and refining Educational Specifications, but the **PROGRAM MANAGER** shall not be responsible for drafting same;
- d. Project Schedule: Develop with the **DISTRICT** and Design Teams, the overall Master Program schedule and schedules for each project. Schedules will include phasing plans and other approaches developed with the **DISTRICT**, Design Teams, Construction Managers and input through public meetings;
- e. Master Budget: The **PROGRAM MANAGER** shall assist the **DISTRICT** in balancing the intent and purpose of the Program with the funds initially budgeted. The **PROGRAM MANAGER** shall develop a preliminary construction cost model utilizing unit costs for each major component. Prepare preliminary cost estimates for each project along with any the **DISTRICT** requested alternates;
- f. Implementation Plan: Assist the **DISTRICT** with preparing, implementing, updating and revising the Master Plan. However, this assistant shall not include an overall revision or update to the Facilities Master Plan. The Implementation Plan will incorporate project scopes, budget, and schedule as developed in this phase. The Implementation Plan shall set forth in detail preliminary scopes of work at each site, cost estimates for each project, phasing plan(s) and schedules, and ranking of priorities.

D. PRECONSTRUCTION PHASE

1. Provide overall coordination of the Projects; serve as the focal point of communication, transmitting information to the **DISTRICT** and Project Team on general aspects of the projects, including planning, scheduling, cost management, progress reporting, design review, dispute resolution, and documentation. All communications from the contractors/construction managers to the **DISTRICT** and project Design Team shall be copied to the **PROGRAM MANAGER**. The **PROGRAM MANAGER** shall receive simultaneous copies of all written communications from the **DISTRICT** or the project design teams to the contractors;
2. Develop and implement the **DISTRICT** approved implementation procedures, forms, and reporting requirements for the projects that involve all members of the project teams, including the **DISTRICT**, design professionals, construction contractors, and Construction Managers (if applicable).
3. Provide input to the project teams on value engineering studies conducted by others at the Design Development Phase. Coordinate with the **DISTRICT** and Design Professionals. Forward recommendations to the **DISTRICT** concerning revisions to the Master Program Budget and the Project Construction Cost Budgets that may result from design changes and construction.
4. Manage, coordinate and reconcile constructability reviews of each project prepared by the Construction Manager at the Design Development Phase and at 90% completion of Construction Documents. The constructability review shall include review of the design documents for clarity, consistency; constructability and coordination. The **PROGRAM MANAGER** shall also make recommendations to the **DISTRICT** with respect to constructability, construction cost, sequence of construction, construction duration and separation of the contracts for various projects into categories of the work. However, the **PROGRAM MANAGER** is not responsible for providing, nor does the **PROGRAM MANAGER** control, the project design or the contents of the design documents. The **PROGRAM MANAGER's** actions in reviewing the project design and design documents and in making recommendations as provided herein are advisory only to the **DISTRICT**. The Architect is not a third party beneficiary of the **PROGRAM MANAGER's** work described in this paragraph and the Architect remains solely responsible for the contents of design drawings and construction documents;
5. Develop the schedules of the Program and each Project through the completion of construction, as directed by the **DISTRICT**, in coordination with the Design Teams and Construction Managers and advise and consult with the **DISTRICT**;
6. Establish schedules for the soils consultant, for any hazardous materials testing and other consultants, and review costs, estimates, and invoices of each;
7. Develop and implement a management control system to support such functions as planning, organizing, scheduling, budgeting, reporting progress and identifying and documenting problems and solutions for each Project. The system will allow for monthly progress reports to the **DISTRICT** regarding the schedule for the Program and the Projects;
8. Organize initial planning workshop(s) to create baseline parameters for the Projects, to define overall building requirements, project strategy, conceptual

budget and schedule. Pursuant to understandings reached at these meetings, the **PROGRAM MANAGER** will develop an implementation plan that identifies the various phases of the Projects, coordination among phases, and budget and time constraints for each phase of the Projects. The plan will include a detailed strategy, master budget and master schedule as well as identification of critical events and milestone activities;

9. Attend all planning, programming, and master site planning meetings relating to the Program;
10. Review updated cost estimates for each Project provided by the Design Teams at the Schematic Design, Design Development, and Construction Documents Phases; coordinate with Design Teams and Construction Managers and reconcile cost estimates with the program budgets.

E. PRE-BID PHASE

1. In conjunction with the Design Teams and Construction Managers coordinate the project schedule and construction milestone schedule with the Master Program Schedule for each Project. In consultation with the **DISTRICT** and according to **DISTRICT** approved policies, procedures, and standards, implement procedures, forms, and reporting requirements for the Projects. Establish, accordingly, a communications procedure for the Projects that allows for decision making at appropriate levels of responsibility and accountability;
2. Work with the Design Teams and Construction Managers to modify or add to standard, special, or general conditions for contract(s) that might be needed for unique project or bid package conditions, for **DISTRICT** approval;
3. Work with the Design Teams and Construction Managers to separate the construction phase for the projects into bid packages;
4. If requested by the **DISTRICT**, the **PROGRAM MANAGER** shall assist with creating alternates for the bid documents, including estimates for such alternates;

F. BIDDING AND AWARD PHASE

1. Attend pre-bid conferences to assist the Design Teams and Construction Managers with familiarizing bidders with the bidding documents, and any special systems, materials or methods and with project procedures. Field questions from bidders regarding **DISTRICT** standards and procedures, referring questions related to specific project issues to Design Teams and Construction Managers as required. Coordinate responses with Design Teams for inclusion in project addenda prepared by the Design Team;
2. Review the bid analysis prepared by the Design Team and Construction Managers. Advise the **DISTRICT** on compliance of bidders with **DISTRICT** requirements and of bids with bid requirements. Report and recommend to **DISTRICT** after review and evaluation;
3. Attend pre-award conferences with successful bidders conducted by the Design Teams and the Construction Managers;

4. Attend preconstruction meetings; Advise the **DISTRICT**, Design Teams, Construction Managers and contractors on District Standards;
5. The **PROGRAM MANAGER** shall assist the **DISTRICT** and the Design Teams in the assembly, delivery and execution of the Construction Documents.
6. The **PROGRAM MANAGER** shall assist the **DISTRICT** in verifying that the Contractors have secured all necessary permits, bonds, insurance, labor affidavits and waivers as required by the Construction Documents. Such action by the **PROGRAM MANAGER** shall not relieve the Contractors, the Design Teams or the **DISTRICT** of their responsibilities to comply with the provisions of the Documents;
7. The **PROGRAM MANAGER** shall schedule and coordinate all tasks of the Bidding and Award Phases in accordance with the Master Plan, Master Program Schedule and Master Program Budget, which shall all be revised and kept current as necessary;
8. The **PROGRAM MANAGER** shall coordinate with the Design Teams and the Construction Managers to develop standardized bidding procedures and bid documents for the Projects;
9. The **PROGRAM MANAGER** shall assist the **DISTRICT**, the Design Teams and the Construction Managers in developing lists of possible bidders for each project and generate bidder interest and actively market the **DISTRICT's** projects;
10. The **PROGRAM MANAGER** shall implement and administer prequalification of bidders in accordance with applicable law. This service shall include the following:
 - a. Preparation and distribution of prequalification questionnaires;
 - b. Receiving and analyzing completed questionnaires;
 - c. Interviewing references of possible bidders, bonding agents and financial institutions; and
 - d. Preparing recommendations for the **DISTRICT**.
11. The **PROGRAM MANAGER** shall review bidders lists for each bid package prepared by the Design Teams and the Construction Managers for approval by the **DISTRICT**;
12. The **PROGRAM MANAGER** shall track the costs for all bidding expenses and shall report to the **DISTRICT** at regular intervals on the status of the expenses. Project and construction budgets shall be adjusted as directed by the **DISTRICT**;
13. The **PROGRAM MANAGER** shall assist the **DISTRICT** in preparing all necessary bidding information and bidding forms required by the **DISTRICT** and shall assist the **DISTRICT** in preparing the Contracts for Construction to maintain consistency throughout the Program. This shall include a review of all specifications to ensure that they require the Contractor to provide operation manuals and adequate training for the **DISTRICT** in the operation of mechanical, electrical, electronic data equipment and hardware of all types, and other systems installed by the Contractors.
14. The **PROGRAM MANAGER** shall review and monitor compliance by the Design Teams and Construction Managers with the District Standard documents and

provide lists of **DISTRICT** specific inventory materials to be provided at the end of the projects by the Contractors such as extra furnace filters, lighting fixture lamps, floor tiles, ceiling tiles, interior paint, exterior paint, etc.

15. The **PROGRAM MANAGER** shall receive from the Design Teams a copy of all addenda. The **PROGRAM MANAGER**, in conjunction with the Design Teams and Construction Managers, shall ensure that a copy of all addenda is distributed to each bidder receiving construction documents for the projects.
16. The **PROGRAM MANAGER** shall assist the **DISTRICT** in conducting the bid opening and shall assist in evaluating the bids for responsiveness and price. The **PROGRAM MANAGER** shall make recommendations to the **DISTRICT** concerning the acceptance or rejection of bids.
17. In consultation with the **DISTRICT** and Design Teams, the **PROGRAM MANAGER** shall participate in pre-construction conferences conducted by the Design Teams and Construction Managers during which the **PROGRAM MANAGER** shall review the organization, communication protocols, security, responsibilities and other general procedures for each Project.
18. The **PROGRAM MANAGER** shall assist in scheduling and coordination of all tasks of the Award and Bid Phase in accordance with the Master Plan, Master Program Schedule and Master Program Budget. The Master Program Schedule and Master Program Budget shall be revised and kept current as necessary.

G. CONSTRUCTION PHASE

1. The **PROGRAM MANAGER** shall keep the **DISTRICT** informed of the progress, timeliness, cost, and quality of the work with detailed monthly reports that include sequential pictures of the progress of construction;
2. The **PROGRAM MANAGER** shall monitor program costs and shall work to ensure that projected costs for each project will not exceed the approved budget for that project and provide the **DISTRICT** timely notice of any potential increase in costs in excess of approved budgets.
3. The **PROGRAM MANAGER** shall develop and implement procedures with the assistance and confirmation of the Design Teams for the review and processing of construction contractor(s) applications for progress and final payments for all construction contracts. Coordinate the submittal, review, verification and processing of payment applications for progress and final payment for all construction contracts. The **PROGRAM MANAGER** shall track all payments in the overall program budget.
4. The **PROGRAM MANAGER** shall assist the **DISTRICT** in selecting and retaining special consultants and testing laboratories and coordinate their services.
5. The **PROGRAM MANAGER** shall establish and implement standardized procedures, in collaboration with the Design Teams, for expediting the processing and approval of shop drawings; product data, samples, and other submittals for each contract.
6. Based on information provided by the Construction Managers, the **PROGRAM MANAGER** shall prepare and distribute monthly project status reports for each active project and the Program, including updates on project activities, progress

of work, outstanding issues, potential problems, status of requests for information ("RFI's"), change orders and submittals.

7. In cases where issues cannot be resolved at the project level the **PROGRAM MANAGER** shall assist the **DISTRICT** in interpreting and deciding matters concerning the performance of the Project Architects, Construction Managers and Contractors under the requirements set forth in the Construction Documents upon written request from the **DISTRICT**, a Project Architect, Construction Manager or a Contractor. The **PROGRAM MANAGER's** response to such requests shall promptly be made in writing.
8. Interpretations and decisions of the **PROGRAM MANAGER** shall be consistent with the intent of, and reasonably inferable from, the Construction Documents and shall be in writing or in the form of drawings and shall normally be provided within five (5) Working Days from the date a request for interpretation or information is received by the **PROGRAM MANAGER**.
9. The **PROGRAM MANAGER** shall report to the **DISTRICT** known deviations from the Construction Documents and from the most recent construction schedules and budgets submitted by the Contractors.
10. The **PROGRAM MANAGER** shall, on a monthly basis, review the progress for all projects, shall review the Construction Manager's evaluation of the percentage complete of each construction activity as indicated in the Contractor's Construction Schedule. The Construction Manager's evaluation shall serve as data for input to the periodic **PROGRAM MANAGER's** Schedule Report that shall be prepared and distributed to the **DISTRICT**. The report shall indicate the actual progress compared to scheduled progress and shall serve as the basis for the progress payments to the Contractor.
11. The **PROGRAM MANAGER** shall review and distribute the Progress Payment Reports prepared by the Design Teams to the **DISTRICT** for each project. The reports shall state the total construction price, payment to date, current payment requested, retention and actual amounts owed each period.
12. The **PROGRAM MANAGER** shall prepare and distribute Project Cost Reports on a monthly basis during the Construction Phase for each Project. The Reports shall specify actual project and construction costs compared to the **DISTRICT** approved Construction Cost Budget for each Project and overall Master Program Budget.

H. SUBSTANTIAL COMPLETION

1. Prior to the issuance of a Certificate of Substantial Completion, if any, the **PROGRAM MANAGER** shall coordinate with the Project Architect(s), the Construction Manager(s) and Project Inspector(s), to ensure that a list of incomplete work or work which does not conform to the requirements of the contract documents (punch list) is prepared. This list shall be attached to the Certificate of Substantial Completion, if any.

I. FINAL COMPLETION

1. The **PROGRAM MANAGER** shall consult with the Design Teams, the PI and the **DISTRICT** as to when a project and the contractor's work on a project are finally completed. The **PROGRAM MANAGER** shall assist with the preparation and filing of the Notice of Completion with the County Recorder.

J. FINAL DOCUMENTS

1. The **PROGRAM MANAGER** shall assist in securing and transmitting to the **DISTRICT** required guarantees, keys, manuals, record drawings, and daily logs. The **PROGRAM MANAGER** shall also forward all documents and plans to the **DISTRICT** upon completion of the Program and ensure all such plans and documents are well organized for any appropriate audit or review of the program.

K. WARRANTY

The **PROGRAM MANAGER** shall assist with the development of a Warranty Inspection and Warranty Work procedure that all contractors are to follow.

EXHIBIT B FEE SCHEDULE

The Program Manager's compensation shall be based on the total **Program Funding** defined as funding from all sources available to the Measure L Building Program and managed as a part of the Program Management services including, but not limited to:

- Measure L bond sales, interim financing mechanisms including Bond Anticipation Notes (BANs) and Capital Appreciation Bonds (CABs) or other mechanisms;
- State facilities funding including New Construction, Modernization, Seismic Mitigation and other State sources;
- Developer Fees;

The Program Duration shall be until all projects in the Measure L Building Program are completed but no longer than 6 years from the effective date of the agreement.

The Program Manager's compensation shall be 3% of the **Program Funding**. Compensation for the first 12 months of the program commencing with the effective date of the agreement, shall be 0.5% of the anticipated funding paid in 12 equal increments. Compensation for the remaining 72 months shall be 2.5% of the planned funding paid in equal monthly increments. The total **Program Funding** shall be reviewed yearly on the anniversary date of this agreement and adjustments to the compensation made as additional funding sources are identified and secured.

EXHIBIT C INSURANCE REQUIREMENTS

The **PROGRAM MANAGER** shall purchase and maintain insurance that will protect the **PROGRAM MANAGER** from the claims set forth below that may arise out of or result from the **PROGRAM MANAGER's** performance of services or failure to perform services required by this Agreement:

A. Claims under Workers' Compensation, disability benefits and other similar employee benefits acts that are applicable to the work performed;

B. Claims for damages because of bodily injury, occupational sickness or disease or death of **PROGRAM MANAGER's** employees, agents or invitees;

C. Claims for damages because of bodily injury or death of any person;

D. Claims for damages insured by usual personal injury liability coverage that are sustained (1) by any person as a result of an offense directly related to the employment of such person by the **PROGRAM MANAGER** or (2) by any other person;

E. Claims for damages, other than to the work itself, because of injury to or destruction of tangible property, including loss of use therefrom; or

F. Claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle.

The **PROGRAM MANAGER's** comprehensive general and automobile liability insurance shall be written for not less than the following limits of liability:

Comprehensive General Liability

Personal Injury:

\$1,000,000.00 Each Occurrence

\$1,000,000.00 Aggregate

Property Damage:

\$1,000,000.00 Each Occurrence

\$1,000,000.00 Aggregate

Comprehensive Automobile Liability

Bodily Injury:

\$1,000,000.00 Each Person

\$1,000,000.00 Each Occurrence

Property Damage:

\$1,000,000.00 Each Occurrence

Errors and Omissions Insurance – Prior to commencement of services under this Agreement, **PROGRAM MANAGER** shall furnish to the **DISTRICT** satisfactory proof that

the **PROGRAM MANAGER** has, for the period covered by this Agreement, errors and omissions insurance on an occurrence basis with limits of at least \$1,000,000.00 and a deductible not more than \$10,000.

Each policy of insurance above shall operate as primary insurance. The **DISTRICT**, its Board of Trustees, employees and agents shall be named as additional insureds under the policies. A copy of the policies shall be provided before any work is commenced under this Agreement. Policies shall not be canceled or reduced in coverage without 30 days prior written notice to **DISTRICT**.



PAJARO VALLEY UNIFIED SCHOOL DISTRICT



Board Agenda Backup

Item No: 10.5

January 16, 2013

Date:

Item: Approval of Resolution # 12-13-09 entering election results into the minutes and certifying to the Board of Supervisors of Santa Cruz and Monterey counties all proceedings in the November 6, 2012 General Obligation Bond Election

Overview: On November 6, 2012 the District's 2012 Proposition 30 General Obligation Bond Election was duly held and conducted for the purpose of voting a measure for the issuance of bonds of the District in the amount of \$150,000,000 (Measure L).

This resolution acknowledges the Board of Trustee's receipt from the Registrars of Voters/County Clerk-Recorder of the Counties the Canvass Certificate and Official Statement of Results (the "Canvass") of the Bond Election.

It appears from the Canvass, a copy of which is attached as Exhibit "A" that more than fifty-five percent of the votes cast on Measure L were in favor of issuing the aforementioned bonds. Passage of the measure authorizes the district to begin issuance of bond series for purposes described in the official bond language approved by voters. All bond language was submitted into the voter information pamphlet and made available to voters district-wide.

Upon approval of the action, the Board of Trustees has sixty days to establish and appoint the Measure L Citizens' Oversight Committee.

Recommendation: Approve Resolution # _____ and Exhibit A as submitted

Prepared By: Brett W. McFadden, Chief Business Officer

Superintendent's Signature: Dorinda Baker

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

RESOLUTION NO. 12-13-09

RESOLUTION OF THE BOARD OF TRUSTEES OF THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT ENTERING ELECTION RESULTS INTO THE MINUTES AND CERTIFYING TO THE BOARDS OF SUPERVISORS OF SANTA CRUZ AND MONTEREY COUNTIES ALL PROCEEDINGS IN THE NOVEMBER 6, 2012 GENERAL OBLIGATION BOND ELECTION

WHEREAS, the Board of Trustees of the Pajaro Valley Unified School District (the "District") previously adopted a resolution requesting each of Santa Cruz County and Monterey County (the "Counties") to call an election for general obligation bonds (the "Bond Election") to be held on November 6, 2012; and

WHEREAS, such resolution was duly delivered to the Registrar of Voters/County Clerk-Recorder of the Counties; and

WHEREAS, notice of the Bond Election was duly given; and

WHEREAS, on November 6, 2012, the Bond Election was duly held and conducted for the purpose of voting a measure for the issuance of bonds of the District in the amount of \$150,000,000 ("Measure L"); and

WHEREAS, the Board of Trustees of the District has received from the Registrars of Voters/County Clerk-Recorder of the Counties the Canvass Certificate and Official Statement of Results (the "Canvass") of the Bond Election; and

WHEREAS, it appears from the Canvass, a copy of which is attached hereto as Exhibit "A," that more than fifty-five percent of the votes cast on Measure L were in favor of issuing the aforementioned bonds.

NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT DOES HEREBY FIND, DETERMINE AND CERTIFY AS FOLLOWS:

Section 1. That entry be made upon the minutes of the meeting that Measure L has been approved by more than fifty-five percent of the votes cast at the Bond Election.

Section 2. That all proceedings of the District in connection with the Bond Election have been accomplished according to law.

Section 3. That the Secretary of the Board is hereby requested to deliver a copy of this Resolution with the Canvass to the Santa Cruz County Superintendent of Schools and the Clerk of the Board of Supervisors of the County.

ADOPTED, SIGNED AND APPROVED this 16th day of January, 2013.

BOARD OF TRUSTEES OF THE PAJARO
VALLEY UNIFIED SCHOOL DISTRICT

President

ATTEST:

Secretary

STATE OF CALIFORNIA)
)ss
SANTA CRUZ COUNTY)

I, _____, do hereby certify that the foregoing Resolution No. _____ was duly adopted by the Board of Trustees of the Pajaro Valley Unified School District at a meeting thereof held on the 16th day of January, 2013 and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

By: _____
Secretary

EXHIBIT A

Official Canvass and Statement Results

December 5, 2012

County of Santa Cruz

<u>Total Votes</u>	<u>32,161</u>	<u>Percentage</u>	<u>100%</u>
Yes	22,171		68.14%
No	9,990		31.06%

County of Monterey

<u>Total Votes</u>	<u>2,143</u>	<u>Percentage</u>	<u>100%</u>
Yes	1,474		68.78%
No	669		31.22%



PAJARO VALLEY UNIFIED SCHOOL DISTRICT

Board Agenda Backup

Item No: 10.6

Date: January 16, 2013

Item: Williams Uniform Complaint Quarterly Report
(October, November and December 2012)

Overview and Rationale: All school districts have been required to adopt a complaint system as a part of the Williams Settlement.

On a quarterly basis, Williams' complaints must be reported to the board and the county superintendent. The report must include the number and types of complaints received and how they were corrected.

During this quarter there were **zero** Williams Complaints filed.

Recommendation: Approve Williams Quarterly Report as Submitted.

Prepared By: Sharon Roddick, Assistant Superintendent, HR

Superintendent's Signature:

Dorm Bot

**QUARTERLY DISTRICT STATUS REPORT OF UNIFORM COMPLAINTS
TO THE COUNTY SUPERINTENDENT OF SCHOOLS
QUARTER ENDED DECEMBER 2012**

DISTRICT: Pajaro Valley Unified School District Date Reported to District Governing Board: January 16, 2013

I. INSTRUCTIONAL MATERIALS

A) Insufficient text books or instructional materials in classroom:

# of Complaints	# of Complaints Resolved	# of Complaints Unresolved*
0		

- Explanation: _____

B) Insufficient textbooks or instructional materials to take home:

# of Complaints	# of Complaints Resolved	# of Complaints Unresolved*
0		

- Explanation: _____

C) Textbooks or instructional materials in poor or unusable condition:

# of Complaints	# of Complaints Resolved	# of Complaints Unresolved*
0		

- Explanation: _____

II. TEACHER VACANCY OR MISASSIGNMENT

A) No assigned certified teacher at beginning of semester:

# of Complaints	# of Complaints Resolved	# of Complaints Unresolved*
0		

- Explanation: _____

**B) Teacher lacking credentials or training to teach English Language Learners (ELL) with
More than 20% ELL in class:**

# of Complaints	# of Complaints Resolved	# of Complaints Unresolved*
0		

- Explanation: _____

D) Teacher instructing class lacking subject matter competency:

# of Complaints	# of Complaints Resolved	# of Complaints Unresolved*
0		

- Explanation: _____

III. FACILITIES

A) Conditions pose an emergency or urgent threat to the health or safety of students/staff:

# of Complaints	# of Complaints Resolved	# of Complaints Unresolved*
0		



Board Agenda Backup

Item No: 10.7

Date: January 16 2013**Item:** Watsonville High lighting retrofit project.

Overview: Project is to replace HID lighting in the old gym and different shop with energy efficient T8 fluorescent lighting. This is a joint project with UCSC and the district.

The Watsonville High School (WHS) lighting retrofit was originally conceived by Ben Oberhand (UCSC student), Andy Shatney (UCSC Staff, Energy Analyst) and Dan Johnston (Watsonville High School teacher). Ben was both an intern of Power Save Green Campus (PSGC) and IDEASS. The goal of PSGC is to reduce energy consumption while IDEASS (Impact Designs Engineering and Sustainability through Student Service) is a program where students develop projects within their areas of interest cooperatively with community mentors and experts in the field. Using these two programs, Ben undertook a two-prong approach at WHS which: (1) looked for potential energy efficiency projects; and (2) educated WHS students about energy efficiency and sustainable practices.

After auditing WHS, under direction from Andy Shatney and Steve Okamura (PVUSD, Energy Education Manager), a Carbon Fund grant was proposed to upgrade sixty inefficient high intensity discharge (HID) fixtures to efficient T8 high bay lighting. The Carbon Fund is a UCSC student funded program to reduce greenhouse gases and spread awareness about Climate Change. The Carbon Fund mission reads:

"The committee strives for a sustainable future by working to mitigate Climate Change through funding and participating in projects to reduce greenhouse gas emissions, conduct relevant research, or carry out education and behavioral change programs. The Committee's commitment is foremost to the campus and its students, but also to the wider community as Climate Change is a threat without boundaries."

The WHS project was awarded \$18,600 by the Carbon Fund and is also eligible for another \$9,364 in PG&E rebates. The project is expected to save approximately 54,000 kWh/yearly and \$8000 annually in energy costs, while eliminating 13.27 tonnes of CO₂ annually. A similar Carbon Fund project was recently completed at the UCSC East Field House Gym. The upgrade replaced eighteen 175 watt metal halide (MH) and twelve 250W MH fixtures with twelve 315W induction fixtures (with integrated motion and daylight sensors). The project cost \$35,000, saved 19,762 kWh/yearly and \$2700 annually in energy costs while eliminating 4.84 Tonnes of CO₂ annually. The project also significantly increased the quality of lighting (pre-retrofit lighting levels were an uneven 20 foot-candles (fc), whereas post-retrofit levels are an even 40fc.). It is expected that the WHS project will match or exceed those of the UCSC project by saving more energy, enhancing visual comfort, while at the same time reducing maintenance costs.

Recommendation: Staff recommends accepting project with UCSC and PG&E we estimate a total district cost at \$7,036 and this project would be less than a one year ROI. (Return on Investment)

Budget Considerations: N/A

Funding Source: PG&E rebate \$9,364, UCSC grant \$18,600 and District cost \$7,036 differed maintenance

Budgeted: Yes: x No: ☐

Amount: \$7,036

Prepared by: Rick Mullikin, Director of M/O/F _____
Steve Okamura, Energy Manager _____

Superintendent's Signature Dorma Baker
Dorma Baker



PAJARO VALLEY UNIFIED SCHOOL DISTRICT



Board Agenda Backup

Item No: 12.1

Date: January 16, 2013

Item: Review and adoption of 2011-12 Annual Financial Audit

Overview: The District is required to have an annual audit by an independent auditor who examines the records of the district and the procedures used in processing fiscal transactions and maintaining financial records. The Audit of the 2011-12 fiscal year was performed by Vavrinek, Trine, Day & Co. and is presented to the Board for review pursuant to Education Code Section 41020.3

41020.3 "By January 31 of each year, each school district governing board and county board of education that services as the governing board of a school district shall review at public meeting, the annual audit of the school district for the prior year, any audit findings of any management letter issued by the auditor, and any description of correction or plans to correct any exceptions or management letter issue. This review shall be placed on the agenda of the meeting pursuant to Section 35145."

Opinions of the Auditor

The audit indicates the following:

- In the opinion of the Auditor, the District's financial records represent the true financial condition of the District and that there are no material weaknesses in the internal control over financial reporting.
- In the opinion of the Auditor, the District has complied, in all material respects with State laws and regulations and with the requirements of each of the Federal programs operated.

Findings and Recommendations

The Auditor did not note any significant findings and/or recommendations. There were minor administrative / compliance items noted, but these did not significantly alter the District's financial status or compliance with federal and state statutes. This is a noteworthy accomplishment given the complexity school finance and the high number of categorical programs administered by the District. Summary of findings and recommendations can be found in the last section of the audit.

Recommendation: Adopt action acknowledging review and implementation of the 2011-12 Annual Financial Audit as submitted.

Prepared By: Brett W. McFadden, Chief Business Officer

Superintendent's Signature:

**PAJARO VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2012

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Pajaro Valley Unified School District
Watsonville, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pajaro Valley Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pajaro Valley Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

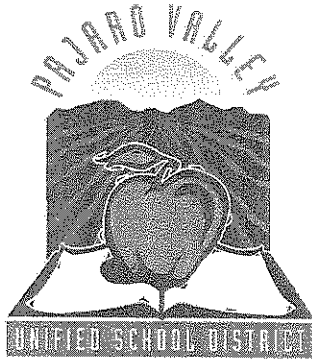
In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and other postemployment information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures or Federal Awards which is required by the U.S. Office of Management Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.



Palo Alto, California
December 14, 2012



PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis section of the 2011/2012 Annual Financial Audit summarizes the District's financial performance during the 2011-2012 fiscal year ending June 30, 2012. The District's financial systems and reporting adhere to standards and requirements prescribed under the Governmental Accounting Standards Board (GASB), State Board of Education, federal law, and the California Education Code.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Pajaro Valley Unified School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

- The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present major governmental activities in accordance with accrual accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables, and receivables.
- The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.
- The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.
- The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The Pajaro Valley Unified School District is the primary governmental agency represented in this audit. The District also includes five charter schools established and overseen pursuant to the Education Code. They include Linscott Elementary, Watsonville School of the Arts, Pacific Coast Charter School, Alianza Charter School, and Academic Vocational Charter Institute. Financial information for the charter schools is included in the special revenue, charter school fund of the District. Separately issued financial statements for the charter schools are not prepared.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and its activities. These statements include all assets and liabilities using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities. These statements are one measure of the District's financial health and position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

Overall, these factors are subject to significant influences from state and federal education funding policies. As a result of current economic conditions, they have undergone dramatic fluctuations over the past five fiscal years. These changes have largely been unforeseen and unprecedented. Projections indicate this condition will continue over the next two fiscal years.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to all students, and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the instructional program, academic achievement among students, and the safety and condition of school facilities are important components in the evaluation of District effectiveness.

In the *Statement of Net Assets* and the *Statement of Activities*, we include the District activities as follows:

Governmental activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, other student services, and the on-going effort to improve and maintain buildings and sites. Property taxes, state education funding, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by general obligation bond covenants. In addition, District leadership establishes many other funds to provide appropriate fiscal control and accountability to manage money for particular purposes. Specified funds will also provide legally required reporting demonstrating the District's compliance with state and federal education funding requirements and other legal/statutory guidelines.

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, such as funds for associated student body activities, scholarships, and employee retiree benefits. The District's fiduciary activities are reported in the Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its general operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$133.5 million and \$137.1 million for the fiscal years ended June 30, 2012 and 2011, respectively. Of this amount, \$16.0 million and \$14.2 million were unrestricted for fiscal years ending June 30, 2012 and 2011, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

TABLE 1

	Governmental Activities 2012	Governmental Activities 2011
Current and other assets	\$ 89,785,515	\$ 83,559,297
Capital assets	155,271,695	165,552,354
Total Assets	245,057,210	249,111,651
Current liabilities	27,642,308	31,650,645
Long-term debt	83,952,956	80,358,047
Total Liabilities	111,595,264	112,008,692
Net assets		
Invested in capital assets, net of related debt	94,219,122	103,628,491
Restricted	23,196,199	19,263,020
Unrestricted	16,046,625	14,211,448
Total Net Assets	\$ 133,461,946	\$ 137,102,959

The \$16.0 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if the District had to pay off all of its bills today including all of our non-capital liabilities (compensated absences as an example) we would need \$16.0 million.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Changes in Net Assets

The results of 2011-2012 general operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement and rearranges it slightly so total revenues and expenses for the year.

TABLE 2

	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues		
Charges for services	\$ 1,002,192	\$ 960,175
Operating grants and contributions	78,624,347	75,120,938
Capital grants and contributions	235	(242,904)
General revenues:		
Federal and state sources	74,167,926	74,473,737
Property taxes	52,189,694	51,125,005
Other general revenues	5,990,370	5,309,580
Total Revenues	211,974,764	206,746,531
Expenses		
Instruction related	166,559,971	165,718,486
Student support services	25,343,361	22,697,696
Administration	2,777,150	5,265,074
Maintenance and operations	17,095,838	15,587,640
Other	3,839,457	4,164,013
Total Expenses	215,615,777	213,432,909
Change in Net Assets	\$ (3,641,013)	\$ (6,686,378)

Governmental Activities

As reported in the Statement of Activities, the cost of all of governmental activities in 2011-2012 was \$215.6 million. However, the amount that District taxpayers ultimately financed for related activities through local taxes was only \$136.0 million. This is because \$79.6 million was paid by those benefiting from District programs or by other governments and organizations who subsidized certain programs with grants and contributions. The District paid for the remaining "public benefit" portion of its governmental activities with \$74.2 million in state and federal funds and with other revenues, such as interest and general entitlements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

In Table 3, we have presented the net cost of each of the District's largest functions - (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows members of the public to consider the cost of each function in comparison to the benefits they believe are provided by that function.

TABLE 3

	Net Cost of Services 2012	Net Cost of Services 2011
Instruction and instruction related	\$ 107,432,765	\$ 107,452,029
Pupil services	8,896,758	9,065,564
General administration	1,133,026	3,137,554
Maintenance and operations	16,452,803	15,011,895
Other	2,073,651	2,927,658
Totals	\$ 135,989,003	\$ 137,594,700

GENERAL FUND HIGHLIGHTS

As the District ended the 2011-2012 fiscal year, governmental funds reported an ending fund balance of \$58.2 million. The unassigned fund balance was \$34.1 million. This reflected a \$6.3 million increase in the General Fund ending balance as compared to the District's estimated ending balance earlier in the fiscal year. This increase was largely one-time in nature. The District's ongoing funding remained relatively constant throughout the fiscal year. The reasons for the increase include:

- New state deferrals of state education funding
- Lower overall expenditures due to continued "belt tightening" by school sites and programs
- Implementation of less expensive and more efficient operational practices
- ADA/Enrollment Increase in K-12 grades
- Extension of state categorical flexibility
- Decrease in projected transportation expenditures
- SELPA revenue increase due to increased ADA
- Decrease in projected SELPA expenditures
- Legal/utility expenses lower than anticipated
- Use of remaining ARRA/Ed Jobs Fund to backfill specific General Fund positions

Recent national and state economic conditions have created significant challenges to the District's fiscal and programmatic integrity. In 2008-09, the District experienced an approximately 20 percent reduction in ongoing state education funding. This was the result of funding reductions enacted by the state in 2008-09 and 2009-10. This forced the District to implement more than \$18.5 million in program and personnel reductions since 2008-09. The District has not received a cost of living adjustment since 2007-08. The 2011-12 fiscal year marked the fifth straight year the District was forced to operate with reduced funding while operating expenses continued to increase. The District's 2011-12 average student funding was at levels lower than it was in 2006-07.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

The passage of Proposition 30 in November of 2012 is cause for cautious optimism. The District avoided a possible ongoing reduction to state education funding should the initiative have failed. The passage of Proposition 30 did not result in any additional revenue, but it did serve to stabilize education funding overall and keep the District's 2012-13 revenues status quo with the previous fiscal year. Finally, out-year projections indicate that the state's budget picture could improve thereby improving opportunities for additional state education funding in the future.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012 and 2011, the District had \$155.3 million and \$165.6 million, net of depreciation in a broad range of capital assets including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of just under \$10.3 million, or 6.2 percent, from last year.

TABLE 4

	Governmental Activities 2012	Governmental Activities 2011
Land	\$ 17,055,144	\$ 17,055,144
Construction in progress	503,607	3,650,529
Buildings and improvements	261,065,637	257,091,833
Equipment	4,548,819	4,297,666
Accumulated depreciation	(127,901,512)	(116,542,818)
Totals	\$ 155,271,695	\$ 165,552,354

This year's additions to capital assets of \$1.1 million (excluding depreciation) are primarily from the completion of the District's remaining Measure J general obligation bond projects. Measure J was enacted by District voters in 2002. All projects have been completed within the required ten-year timeline and per requirements of the bond language. The District is awaiting final sign off from the state for these remaining projects and will conduct a final performance and financial audit once final approval is received from the state.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Long-Term Debt

At the end of this year, the District had \$57.5 million in bonds outstanding. The District's long-term debt is summarized below.

TABLE 5

<i>Years ending</i>	2012	2011
Certificates of participation	\$ 2,595,431	\$ 2,709,534
General obligation bonds	57,472,813	58,161,068
Bond premium	644,681	705,793
Accumulated vacation - net	1,970,195	1,795,225
Supplemental employees retirement plan	8,370,838	7,108,859
Capital leases	339,648	620,506
Other post employment benefits	17,197,592	13,895,304
Totals	\$ 88,591,198	\$ 84,996,289

The State limits the amount of general obligation debt school districts can issue to 2.5 percent of the assessed value of all taxable property within a district's legal boundaries.

Other financial obligations include compensated absences payable, certificates of participation, capital leases and other long-term debt. We present more detailed information regarding the District's long-term liabilities in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 ARE NOTED BELOW:

California's ongoing fiscal crisis continues to create significant fiscal and programmatic challenges for school districts across California and in the District. Fiscal Year 2011-12 marked the fifth straight year the district has had to endure ongoing state education cuts and continued uncertainty regarding its future finances. The effects of the *Great Recession* continued to hamper California's economic growth and its ability to adequately fund public education. As a result, all California school districts went through the year with great uncertainty.

If there was a theme for district's current fiscal situation it would be "cautious optimism." Over the past five years, the district has taken proactive steps to control deficit spending, while protecting its core instructional programs. This has not been an easy task. All employees, schools, and programs have been adversely impacted in one measure or another. The past five years have witnessed an unprecedented \$18.5 million in ongoing spending reductions and no increases in state funding to offset cost increases.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

The District's major accomplishments for 2011-12 include:

- Continued protection of funding for vital student services such as libraries, athletics, after-school enrichment, school counselors, and home-to-school transportation
- Maintained overall funding and staffing for core instructional and operational programs at current levels with no budget related layoffs and/or position eliminations
- Restoration of five instructional days and elimination of employee furloughs
- An expanded educational services program that includes services for teacher and administrator professional development, intervention programs for English learners and other at-risk students, and improving academic standards and accountability
- Prioritized critical deferred maintenance programs for facility repairs and improvements across the district
- Maintained a vibrant instructional technology program, with expanded services in Aptos area schools, while maintaining federal E-Rate funding in Watsonville area schools
- Engaged in improved and ongoing fiscal transparency and communication on fiscal, budget, and facility planning matters

The District also continued to maintain strong reserves and fund balances. This forethought on behalf of the Board of Trustees provided increased flexibility to protect vital instructional programs in the midst of unprecedented reductions in state education funding. So much so, that the District and its employee organizations were able to reach agreement earlier this year to restore instructional days and employee furloughs that were reduced two years ago. This was not an option available to many other school districts in the region.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2012/2013 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. No COLA funding for revenue limit funding with a 22 percent deficit factor.
2. State grants received no COLA including Special Education.
3. The sweeping of most State grants in Tier III.
4. Exhaustion of all Federal ARRA and Education Jobs Fund dollars.
5. Developer fee collections have been reduced substantially due to a decrease in development in the surrounding area.
6. The District's ADA has been projected 50 less than prior year due to the fact Ceiba College Preparatory Academy (newest Charter School) continues to grow.
7. Employee benefits will be increased by 10%.
8. Step and Column increases are reflected.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The annual financial report is designed to provide District citizens, taxpayers, investors and creditors with a general overview of the District's finances and accountability for the public funds it administers under law. For additional information and/or questions about this report or other District financial activities, please contact:

Brett W. McFadden
Chief Business Officer
294 Green Valley Road, Watsonville, CA 95076
Brett_mcfadden@pvusd.net

Helen Bellonzi
Director of Fiscal Services
294 Green Valley Road, Watsonville, CA 95076
Helen_bellonzi@pvusd.net

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 40,856,555
Receivables	46,643,628
Prepaid expenses	1,880,552
Stores inventories	404,780
Capital assets not depreciated	17,558,751
Capital assets, net of accumulated depreciation	<u>137,712,944</u>
Total Assets	<u>245,057,210</u>
LIABILITIES	
Accounts payable	4,283,700
Interest payable	824,591
Deferred revenue	3,222,641
Claim liabilities	14,673,134
Current portion of long-term obligations	5,659,096
Noncurrent portion of long-term obligations	<u>82,932,102</u>
Total Liabilities	<u>111,595,264</u>
NET ASSETS	
Invested in capital assets, net of related debt	94,219,122
Restricted for:	
Debt service	2,088,731
Capital projects	739,942
Special revenues	5,819,759
Self-Insurance	9,415,417
Legally restricted	5,132,350
Unrestricted	<u>16,046,625</u>
Total Net Assets	<u>\$ 133,461,946</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 128,253,405	\$ 84,827	\$ 40,850,413	\$ 235	\$ (87,317,930)
Instruction-related activities:					
Supervision of instruction	20,546,169	37,327	15,377,063	-	(5,131,779)
Instructional library, media, and technology	3,535,524	5,724	2,675,274	-	(854,526)
School site administration	14,224,873	889	95,454	-	(14,128,530)
Pupil services:					
Home-to-school transportation	5,958,278	62,228	2,643,813	-	(3,252,237)
Food services	8,769,596	710,813	8,445,081	-	386,298
All other pupil services	10,615,487	5,694	4,578,974	-	(6,030,819)
Administration:					
Data processing	1,247,385	-	-	-	(1,247,385)
All other administration	1,529,765	22,700	1,621,424	-	114,359
Plant services	17,095,838	5,744	637,291	-	(16,452,803)
Ancillary services	764,484	2,512	132,075	-	(629,897)
Community services	15,776	177	7,291	-	(8,308)
Interest on long-term obligations	3,013,305	-	-	-	(3,013,305)
Other outgo	45,892	63,557	1,560,194	-	1,577,859
Total Governmental Activities	\$ 215,615,777	\$ 1,002,192	\$ 78,624,347	\$ 235	(135,989,003)

General revenues and subventions:

Property taxes, levied for general purposes	48,150,195
Property taxes, levied for debt service	3,806,248
Taxes levied for other specific purposes	233,251
Federal and State aid not restricted to specific purposes	74,167,926
Interest and investment earnings	146,579
Miscellaneous	5,843,791

Subtotal, General Revenues

132,347,990

Change in Net Assets

(3,641,013)

Net Assets - Beginning

137,102,959

Net Assets - Ending

\$ 133,461,946

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Cafeteria Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 6,093,523	\$ 2,283,616	\$ 8,299,882	\$ 16,677,021
Receivables	41,802,548	1,569,557	2,971,863	46,343,968
Due from other funds	925,000	-	528,359	1,453,359
Prepaid expenses	1,880,552	-	-	1,880,552
Stores inventories	196,997	207,783	-	404,780
Total Assets	\$ 50,898,620	\$ 4,060,956	\$ 11,800,104	\$ 66,759,680
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,016,342	\$ 75,761	\$ 621,387	\$ 3,713,490
Due to other funds	245,403	1,165,800	221,723	1,632,926
Deferred revenue	2,988,169	-	234,472	3,222,641
Total Liabilities	6,249,914	1,241,561	1,077,582	8,569,057
Fund Balances:				
Nonspendable	2,197,549	207,783	-	2,405,332
Restricted	5,132,350	2,611,612	6,653,628	14,397,590
Committed	3,190,803	-	4,068,894	7,259,697
Unassigned	34,128,004	-	-	34,128,004
Total Fund Balances	44,648,706	2,819,395	10,722,522	58,190,623
Total Liabilities and Fund Balances	\$ 50,898,620	\$ 4,060,956	\$ 11,800,104	\$ 66,759,680

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:

Total Fund Balance - Governmental Funds \$ 58,190,623

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in governmental
funds.

The cost of capital assets is	\$ 283,173,207	
Accumulated depreciation is	(127,901,512)	
Net Capital Assets		155,271,695

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

(824,591)

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

9,415,417

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

Long-term liabilities at year end consist of:

Bonds payable	57,472,813	
Unamortized bond premium	644,681	
Certificates of participation	2,595,431	
Capital leases payable	339,648	
Compensated absences (vacations)	1,970,195	
Supplemental employee retirement plan	8,370,838	
OPEB obligations	17,197,592	
Total Long-Term Liabilities		(88,591,198)
Total Net Assets - Governmental Activities		\$ 133,461,946

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Cafeteria Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 91,453,887	\$ -	\$ 7,704,409	\$ 99,158,296
Federal sources	29,660,332	8,060,760	6,465,681	44,186,773
Other state sources	52,086,940	691,687	5,661,866	58,440,493
Other local sources	3,308,313	756,975	5,914,559	9,979,847
Total Revenues	176,509,472	9,509,422	25,746,515	211,765,409
EXPENDITURES				
Instruction	105,202,920	-	13,246,337	118,449,257
Instruction-related activities:				
Supervision of instruction	16,752,273	-	2,370,782	19,123,055
Instructional library, media and technology	2,909,950	-	380,689	3,290,639
School site administration	9,465,918	-	3,773,681	13,239,599
Pupil services:				
Home-to-school transportation	5,545,583	-	-	5,545,583
Food services	32,804	8,129,303	70	8,162,177
All other pupil services	9,044,637	-	835,325	9,879,962
Administration:				
Data processing	1,160,986	-	-	1,160,986
All other administration	4,379,180	211,089	300,292	4,890,561
Plant services	14,162,871	2,298	2,033,822	16,198,991
Facility acquisition and construction	143,973	96,487	528,913	769,373
Ancillary services	706,174	-	5,359	711,533
Community services	13,283	-	1,400	14,683
Other outgo	45,892	-	-	45,892
Debt service				
Principal	316,675	-	1,833,286	2,149,961
Interest and other	87,959	-	1,969,372	2,057,331
Total Expenditures	169,971,078	8,439,177	27,279,328	205,689,583
Excess (Deficiency) of Revenues Over Expenditures	6,538,394	1,070,245	(1,532,813)	6,075,826
Other Financing Sources (Uses)				
Transfers in	517,020	-	753,103	1,270,123
Transfers out	(753,103)	-	-	(753,103)
Net Financing Sources (Uses)	(236,083)	-	753,103	517,020
NET CHANGE IN FUND BALANCES	6,302,311	1,070,245	(779,710)	6,592,846
Fund Balance - Beginning	38,346,395	1,749,150	11,502,232	51,597,777
Fund Balance - Ending	\$ 44,648,706	\$ 2,819,395	\$ 10,722,522	\$ 58,190,623

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds \$ 6,592,846
Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	\$ (11,358,694)	
Capital outlays	<u>1,078,035</u>	
Net Expense Adjustment		(10,280,659)

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$174,970.

(174,970)

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

61,112

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

280,858

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

114,103

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

1,755,000

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued) FOR THE YEAR ENDED JUNE 30, 2012

Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	49,659
Accreted interest on capital appreciation bonds is not recorded in the governmental funds, but it increases the bond principals in the statement of net assets and increases interest expense in the statement of activities.	(1,066,745)
Contributions to the retiree benefit trust fund are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the statement of activities as an expense. The actual amount of the contribution was less than the annual required contribution.	(3,302,288)
Obligations for supplemental employee retirement plan (SERP) is not recorded in the governmental funds, but it increases the long-term liabilities in the statement of net assets and increases expenses in the statement of activities.	(4,611,435)
Supplemental employee retirement plan payment is an expenditure in the governmental funds, but it decreases the long-term liabilities in the statement of net assets and does not affect the statement of activities.	3,349,456
An internal service fund is used by the District's management to charge the costs of the various insurance programs to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	3,592,050
Change in Net Assets of Governmental Activities	<u>\$ (3,641,013)</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 24,179,534
Receivables	299,660
Due from other funds	179,567
Total Current Assets	<u>24,658,761</u>
LIABILITIES	
Current Liabilities	
Accounts payable	570,210
Claim liabilities	14,673,134
Total Current Liabilities	<u>15,243,344</u>
NET ASSETS	
Restricted	9,415,417
Total Net Assets	<u><u>\$ 9,415,417</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
In-district contributions	\$ 42,888,448
Total Operating Revenues	<u>42,888,448</u>
OPERATING EXPENSES	
Payroll costs	272,278
Supplies and materials	325
Claims and insurance expense	38,571,941
Total Operating Expenses	<u>38,844,544</u>
Operating Income	<u>4,043,904</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	65,166
Transfers out	(517,020)
Total Nonoperating Revenues (Expenses)	<u>(451,854)</u>
Change in Net Assets	<u>3,592,050</u>
Total Net Assets - Beginning	<u>5,823,367</u>
Total Net Assets - Ending	<u><u>\$ 9,415,417</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 42,409,221
Cash payments to employees for services	(272,278)
Cash payments to suppliers for goods and services	(325)
Cash payments for insurance claims	(37,941,955)
Net Cash provided by Operating Activities	<u>4,194,663</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(517,020)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	65,166
Net increase in Cash and Cash Equivalents	<u>3,742,809</u>
Cash and Cash Equivalents - Beginning	20,436,725
Cash and Cash Equivalents - Ending	<u><u>\$ 24,179,534</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 4,043,904
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Receivables	(299,660)
Due from other funds	(179,567)
Accrued liabilities	(176,912)
Claims liabilities	806,898
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 4,194,663</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

	Retiree Benefits Trust	Scholarship Trust	Agency Funds
ASSETS			
Deposits and investments	\$ 3,057,093	\$ 2,015,554	\$ 689,627
Accounts receivable	-	1,000	-
Total Assets	<u>3,057,093</u>	<u>2,016,554</u>	<u>\$ 689,627</u>
LIABILITIES			
Accounts payable	300,660	174,413	\$ -
Due to student groups	-	-	689,627
Total Liabilities	<u>300,660</u>	<u>174,413</u>	<u>\$ 689,627</u>
NET ASSETS			
Restricted	<u>2,756,433</u>	<u>1,842,141</u>	
Total Net Assets	<u>\$ 2,756,433</u>	<u>\$ 1,842,141</u>	

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

	Retiree Benefits Trust	Scholarship Trust
ADDITIONS		
Private donations	\$ -	\$ 92,834
District contributions	4,492,879	-
Investment income	1,104	10,577
Net decrease in fair market value of investments	(23,388)	-
Total Additions	<u>4,470,595</u>	<u>103,411</u>
DEDUCTIONS		
Benefit payments	3,961,470	-
Scholarships awarded	-	179,988
Total Deductions	<u>3,961,470</u>	<u>179,988</u>
Change in Net Assets	509,125	(76,577)
Net Assets - Beginning	<u>2,247,308</u>	<u>1,918,718</u>
Net Assets - Ending	<u>\$ 2,756,433</u>	<u>\$ 1,842,141</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Pajaro Valley Unified School District was unified in 1964 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates sixteen elementary, six middle, three high school, one community day school, one continuation high school, an adult education school, twelve childcare centers, a migrant center and five charter schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Pajaro Valley Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units – Charter Schools

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

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

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

Adult Education Fund The Adult Education Fund is used to account separately for federal, State, and local resources committed for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for resources committed for deferred maintenance purposes.

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* sections 15125-15262).

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of capital facilities and other major capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has only one internal service fund which is Self-Insurance fund.

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

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds are Retiree Benefits Trust and Private Purpose Scholarship Trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$25,000 with the exception to federally funded equipment which has a threshold of \$2,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net assets.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified and certificated school members who retire after January 1, 1999. At retirement, each member will receive service credit for each day of unused sick leave per STRS and PERS regulations.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental columns of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Cruz bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. As a result, governments should base their decisions about fund-type classification on the nature of the activity to be reported, as required in Statements No. 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 16,677,021
Proprietary fund	24,179,534
Fiduciary funds	5,762,274
Total Deposits and Investments	<u>\$ 46,618,829</u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 2,679,755
Cash in revolving	120,000
Investments	43,819,074
Total Deposits and Investments	<u>\$ 46,618,829</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the U.S. Government bonds are not required to be rated, nor have they been rated as of June 30, 2012. Pooled investments, such as the county pool and mutual funds were not rated.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Investment Type	Cost	Fair Value	Maturity in Years
U.S. Government Bonds	\$ 19,900	\$ 27,454	4.88
Mutual Funds	2,019,083	2,109,208	0.00
County Pool	41,689,966	41,667,787	1.09
Total	<u>\$ 43,728,949</u>	<u>\$ 43,804,449</u>	

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance of \$803,234 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District is exposed to custodial credit risk related to investments in the Santa Cruz County pool and the District's investments in mutual funds related to the trust fund of the retiree benefits because these investments are held by the counter party's name and not registered in the name of the District.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total	Proprietary Fund	Fiduciary Funds
Federal Government						
Categorical aid	\$ 9,705,097	\$ 1,454,932	\$ 310,193	\$ 11,470,222	\$ -	\$ -
State Government						
Apportionment	25,369,671	-	2,230,525	27,600,196	-	-
Categorical aid	5,051,260	114,625	192,097	5,357,982	-	-
Lottery	1,196,390	-	112,979	1,309,369	-	-
Other Local Sources	480,130	-	126,069	606,199	299,660	1,000
Total	<u>\$ 41,802,548</u>	<u>\$ 1,569,557</u>	<u>\$ 2,971,863</u>	<u>\$ 46,343,968</u>	<u>\$ 299,660</u>	<u>\$ 1,000</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 17,055,144	\$ -	\$ -	\$ 17,055,144
Construction in Progress	3,650,529	333,164	3,480,086	503,607
Total Capital Assets Not Being Depreciated	20,705,673	333,164	3,480,086	17,558,751
Capital Assets Being Depreciated:				
Buildings and Improvements	257,091,833	3,973,804	-	261,065,637
Furniture and Equipment	4,297,666	251,153	-	4,548,819
Total Capital Assets Being Depreciated	261,389,499	4,224,957	-	265,614,456
Less Accumulated Depreciation:				
Buildings and Improvements	113,311,416	11,161,438	-	124,472,854
Furniture and Equipment	3,231,402	197,256	-	3,428,658
Total Accumulated Depreciation	116,542,818	11,358,694	-	127,901,512
Capital Assets Being Depreciated, Net	144,846,681	(7,133,737)	-	137,712,944
Governmental Activities Capital Assets, Net	<u>\$ 165,552,354</u>	<u>\$ (6,800,573)</u>	<u>\$ 3,480,086</u>	<u>\$ 155,271,695</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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

Governmental Activities

Instruction	\$ 6,618,103
Supervision of Instruction	1,102,567
Instructional Library and Media	189,726
School Site Administration	763,348
Home to School Transportation	319,738
Food Services	470,602
All Other Pupil Services	569,853
Ancillary Services	41,024
Community Services	847
All General Administration	281,972
Data Processing Services	66,938
Plant Services	933,976
Total Depreciation Expense	<u>\$ 11,358,694</u>

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivables and payable balances arise from interfund transactions and are recorded by all funds affected in the period which transactions are executed. Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds, proprietary funds and fiduciary funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ 245,403	\$ -	\$ 245,403
Cafeteria Fund	925,000	210,261	30,539	1,165,800
Non-Major Governmental Funds	-	72,695	149,028	221,723
Total	<u>\$ 925,000</u>	<u>\$ 528,359</u>	<u>\$ 179,567</u>	<u>\$ 1,632,926</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer Out	Transfer In		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 753,103	\$ 753,103
Internal Service Fund	517,020	-	517,020
Total	\$ 517,020	\$ 753,103	\$ 1,270,123

The General Fund transferred to the Charter Schools Fund for Supplemental School Counseling Programs.

\$ 419,354

The General Fund transferred to the Adult Education Fund for contributions.

331,795

The General Fund transferred to the Child Development Fund for cost reimbursements.

1,954

The Self Insurance Fund transferred to the General Fund for cost reimbursement.

517,020

Total

\$ 1,270,123

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total	Proprietary Fund	Fiduciary Funds
Vendor payables	\$ 2,021,942	\$ 47,141	\$ 215,249	\$ 2,284,332	\$ 570,210	\$ 475,073
State apportionment	-	-	-	-	-	-
Salaries and benefits	994,400	28,620	406,138	1,429,158	-	-
Total	\$ 3,016,342	\$ 75,761	\$ 621,387	\$ 3,713,490	\$ 570,210	\$ 475,073

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 1,370,915	\$ 697	\$ 1,371,612
State categorical aid	100,425	23,630	124,055
Other local	1,516,829	210,145	1,726,974
Total	<u>\$ 2,988,169</u>	<u>\$ 234,472</u>	<u>\$ 3,222,641</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance June 30, 2011	Accretion/ Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	\$ 58,161,068	\$ 1,066,745	\$ 1,755,000	\$ 57,472,813	\$ 1,970,000
Bond premium	705,793	-	61,112	644,681	61,112
Certificates of participation	2,709,534	-	114,103	2,595,431	121,107
Accumulated vacation - net	1,795,225	174,970	-	1,970,195	-
Capital leases	620,506	-	280,858	339,648	168,025
Other postemployment benefits	13,895,304	7,795,167	4,492,879	17,197,592	-
Supplemental employees retirement benefits	7,108,859	4,611,435	3,349,456	8,370,838	3,338,852
Total	<u>\$ 84,996,289</u>	<u>\$ 13,648,317</u>	<u>\$ 10,053,408</u>	<u>\$ 88,591,198</u>	<u>\$ 5,659,096</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on Certificate of Participation and the capital leases are paid by the General Fund, the Charter School Fund and the Adult Education Fund. The energy service contract payments are made by the general fund. Accumulated vacation and supplemental employees retirement benefits are paid by the funds for which the employees worked.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2011	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2012
2005	2023	3.00%-5.31%	\$ 40,215,000	\$ 34,650,000	\$ -	\$ 1,610,000	\$ 33,040,000
2005	2030	3.00%-5.31%	18,254,288	23,511,068	1,066,745	145,000	24,432,813
				<u>\$ 58,161,068</u>	<u>\$ 1,066,745</u>	<u>\$ 1,755,000</u>	<u>\$ 57,472,813</u>

Debt Service Requirements to Maturity

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ 1,970,000	\$ 1,822,251	\$ 3,792,251
2014	2,200,000	1,720,626	3,920,626
2015	2,445,000	1,607,344	4,052,344
2016	2,710,000	1,480,000	4,190,000
2017	2,990,000	1,333,763	4,323,763
2018-2022	19,713,064	4,203,338	23,916,402
2023-2027	13,104,117	15,028,483	28,132,600
2028-2030	5,757,106	13,567,894	19,325,000
Sub Total	<u>50,889,287</u>	<u>\$ 40,763,699</u>	<u>\$ 91,652,986</u>
Accretion to date	6,583,526		
Total general obligation bonds	<u>\$ 57,472,813</u>		

Certificates of Participation

In April 5, 2005, the Pajaro Valley Unified School District issued certificates of participation in the amount of \$1,645,000 to finance construction related to the Adult Education Center. At June 30, 2012, the principal balance outstanding was \$1,275,000. During the current year the District redeemed 65,000 of the outstanding certificates.

In January 10, 2010, the Pajaro Valley Unified School District issued certificates of participation in the amount of \$1,415,000 to redeem existing certificates of participation. Interest on this certificate of participation is set at 1.010%. At June 30, 2012 the principal balance outstanding was \$1,320,431. Principal and interest payments are due twice a year starting July 15, 2010 over the next twenty years and are expected to be complete redeemed by January 15, 2030. During the current year the District redeemed \$49,103 of the outstanding certificates.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

The certificates mature through 2030 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 121,107	\$ 105,122	\$ 226,229
2014	123,193	100,543	223,736
2015	130,364	95,603	225,967
2016	137,623	90,244	227,867
2017	139,974	84,692	224,666
2018-2022	793,642	330,525	1,124,167
2023-2027	858,613	147,092	1,005,705
2028-2030	290,915	20,910	311,825
Total	<u>\$ 2,595,431</u>	<u>\$ 974,731</u>	<u>\$ 3,570,162</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$1,970,195.

Capital Leases

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

	Porter Building	Bus and SIS System	Cafeteria Portables	Total
Balance, July 1, 2011	\$ 369,470	\$ 297,113	\$ 14,323	\$ 680,906
Payments	92,368	204,677	14,323	311,368
Balance, July 1, 2012	<u>\$ 277,102</u>	<u>\$ 92,436</u>	<u>\$ -</u>	<u>\$ 369,538</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2013	\$ 184,802
2014	92,368
2015	92,368
Total	<u>369,538</u>
Less: Amount Representing Interest	<u>29,890</u>
Present Value of Minimum Lease Payments	<u>\$ 339,648</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Supplemental Employees Retirement Plan (SERP)

The outstanding balances for the Supplemental Employee Retirement Plans as of June 30, 2012, are as follows:

Year Ending June 30,	2008 Plan	2010 Plan	2011 Plan	2012 Plan	Total
2013	\$ 1,242,832	\$ 82,341	\$ 1,091,392	\$ 922,287	\$ 3,338,852
2014	-	82,341	1,091,392	922,287	2,096,020
2015	-	-	1,091,392	922,287	2,013,679
2016	-	-	-	922,287	922,287
Subtotal	<u>\$ 1,242,832</u>	<u>\$ 164,682</u>	<u>\$ 3,274,176</u>	<u>\$ 3,689,148</u>	<u>\$ 8,370,838</u>

Defeased Debt

In 2005, The District defeased the 2002, Series A bond in the amount of \$39,995,542 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's Long-Term Obligations. As of June 30, 2012, the amount of defeased debt outstanding that was removed from the Long Term Debt Obligations and the related trust fund account balance amounted to \$35,020,003 and \$35,302,493, respectively.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 120,000	\$ -	\$ -	\$ 120,000
Stores inventories	196,997	207,783	-	404,780
Prepaid expenditures	1,880,552	-	-	1,880,552
Total Nonspendable	2,197,549	207,783	-	2,405,332
Restricted				
Legally restricted programs	5,132,350	-	-	5,132,350
Special revenues	-	2,611,612	3,000,364	5,611,976
Capital projects	-	-	739,942	739,942
Debt services	-	-	2,913,322	2,913,322
Total Restricted	5,132,350	2,611,612	6,653,628	14,397,590
Committed				
Adult education program	-	-	1,029,753	1,029,753
Deferred maintenance program	-	-	3,039,141	3,039,141
Instructional Material	1,895,366	-	-	1,895,366
Tier III programs	1,295,437	-	-	1,295,437
Total Committed	3,190,803	-	4,068,894	7,259,697
Unassigned				
Reserve for economic uncertainties	5,011,803	-	-	5,011,803
Remaining unassigned	29,116,201	-	-	29,116,201
Total Unassigned	34,128,004	-	-	34,128,004
Total	\$ 44,648,706	\$ 2,819,395	\$ 10,722,522	\$ 58,190,623

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Pajaro Valley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 275 retirees and beneficiaries currently receiving benefits and 1,672 active plan members. The Plan is presented in these financial statements as the Retiree Benefits Trust Fund. Separate financial statements are not prepared for the Trust.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (PVFT), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, PVFT, CSEA and the unrepresented groups. For fiscal year 2011-2012, the District contributed \$4,492,879 to the plan, all of which was used for current premiums (approximately 100% percent of total premiums incurred by retirees plus one eligible dependent).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 6,822,496
Interest on net OPEB obligation	972,671
Annual OPEB cost (expense)	7,795,167
Contributions made	(4,492,879)
Increase in net OPEB obligation	3,302,288
Net OPEB obligation, beginning of year	13,895,304
Net OPEB obligation, end of year	\$ 17,197,592

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012, 2011, and 2010, respectively, was as follows:

Year Ended June 30, 2012	OPEB Cost	Amount Contributed	Percentage Contributed	Net OPEB Obligation
2012	\$ 7,795,167	\$ (4,492,879)	-57.64%	\$ 17,197,592
2011	6,539,254	3,090,172	46.26%	13,895,304
2010	6,367,435	2,917,171	45.81%	10,446,222

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The following shows the funded status for the most recent actuarial valuation:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2011	\$ 1,913,997	\$ 64,844,554	\$ 62,930,557	2.95%	\$ 90,439,263	69.58%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2011, actuarial valuation, the Entry age normal actuarial cost method was used. The actuarial assumptions included a 7% percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare, dental, and vision cost trend rates were averaged at 4% percent. The UAAL is being amortized at a level percentage of payroll method on an open basis. The remaining open amortization period at April 1, 2011, was 30 years. The actuarial value of assets as of April 1, 2011 was \$1,913,997.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, the District contracted with Schools Association For Excess Risk for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Workers' Compensation

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

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

Insurance Program / Company Name	Type of Coverage	Limits
Pajaro Valley Unified School District Workers' Compensation Self-Insurance Program	Workers' Compensation	\$ 500,000
School Alliance Workers' Compensation Excess	Excess Workers' Compensation	State Statutory Limit
Benefit Liability Excess Fund	Excess Medical	260,000
Schools Association For Excess Risk	Property	250,000,000
Schools Association For Excess Risk	Liability	25,000,000
Schools Association For Excess Risk	Excess Liability	24,000,000

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012:

Liability Balance, July 1, 2010	\$ 13,866,236
Claims and changes in estimates	38,173,909
Claims payments	(38,173,909)
Liability Balance, June 30, 2011	13,866,236
Claims and changes in estimates	38,571,941
Claims payments	(37,765,043)
Liability Balance, June 30, 2012	\$ 14,673,134
Assets available to pay claims at June 30, 2012	\$ 24,088,551

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$6,154,839, \$5,909,444, and \$6,238,163, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary. At Pajaro Valley Unified School District, the district contributes the 7.0 percent on their behalf. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$2,900,530, \$2,812,325, and \$2,595,131, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$3,664,078, \$3,053,855, and \$3,220,581, respectively, for 2012, 2011 and 2010 (4.855 percent of annual payroll for 2012, 4.267 percent for 2011, and 4.517 percent for 2010, respectively). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have been recorded in the financial statements. These amounts have not been included in the actual or budgeted amounts reported in the General Fund Budgetary Comparison Schedule. On behalf payments have been excluded from the calculation of available reserves.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2012.

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

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

The JPA has a budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. During the year ended June 30, 2012, the District made payments of \$126,359 to SAWCXII for excess workers' compensation insurance, \$1,895,657 to BeLiEF for excess medical insurance and \$719,143 to SAFER for excess property and liability insurance.

REQUIRED SUPPLEMENTARY INFORMATION

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variances- Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Revenue limit sources	\$ 90,201,222	\$ 90,793,904	\$ 91,453,887	\$ 659,983
Federal sources	27,312,436	34,791,660	29,660,332	(5,131,328)
Other State sources	46,039,175	48,827,204	48,422,862	(404,342)
Other local sources	2,048,878	3,595,227	3,308,313	(286,914)
Total Revenues ¹	165,601,711	178,007,995	172,845,394	(5,162,601)
EXPENDITURES				
Certificated salaries	66,605,661	70,673,649	68,806,543	1,867,106
Classified salaries	24,355,540	25,200,928	24,193,097	1,007,831
Employee benefits	49,081,726	49,544,367	47,392,686	2,151,681
Books and supplies	7,598,626	15,957,839	7,187,133	8,770,706
Services and operating expenditures	15,983,542	20,257,596	18,264,388	1,993,208
Other outgo	-	-	45,892	(45,892)
Capital outlay	158,725	60,077	16,273	43,804
Debt service - principal	316,675	316,675	313,029	3,646
Debt service - interest	84,314	84,314	87,959	(3,645)
Total Expenditures ¹	164,184,809	182,095,445	166,307,000	15,788,445
Excess of Revenues Over Expenditures	1,416,902	(4,087,450)	6,538,394	10,625,844
Other Financing Sources (Uses)				
Transfers in	550,000	549,914	517,020	(32,894)
Transfers out	(1,009,849)	(164,471)	(753,103)	(588,632)
Net Financing Sources (Uses)	(459,849)	385,443	(236,083)	(621,526)
NET CHANGE IN FUND BALANCES	957,053	(3,702,007)	6,302,311	10,004,318
Fund Balance - Beginning	38,346,395	38,346,395	38,346,395	-
Fund Balance - Ending	\$ 39,303,448	\$ 34,644,388	\$ 44,648,706	\$ 10,004,318

¹ On behalf payments of \$3,664,078 in the General Fund are excluded from the actual revenues and expenditures, but have been included in the basic financial statements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2011	\$ 1,913,997	\$ 64,844,554	\$ 62,930,557	2.95%	\$ 90,439,263	69.58%
March 1, 2009	1,650,064	65,626,212	63,976,148	2.51%	113,529,631	56.35%
March 1, 2007	2,208,048	52,884,097	50,676,049	4.18%	114,434,798	44.28%

SUPPLEMENTARY INFORMATION

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education Act:			
Adult Basic Education & ESL	84.002A	14508	\$ 122,600
Priority 5, Adult Secondary Education	84.002	13978	19,168
English Literacy & Civics Education	84.002A	14110	25,534
No Child Left Behind Act:			
Title I-Basic Grants Low-Income and Neglected	84.010	14329	5,890,028
Title I-ARRA, Part A, Basic Grants Low Income and Neglected	84.389	15005	117,721
Title I-ARRA, Part A, School Site Improvements	84.388	15004	2,204,024
Title I-Migrant Education (Regular and Summer Program)	84.011	14326	4,007,936
Title I-Even Start Migrant Education	84.214	14768	269,476
Title I-School Site Improvements	84.377	14971	394,080
Title II-Teacher Quality	84.367	14341	863,379
Title II-ARRA, Enhancing Education Through Technology, Part D, Competitive Grants	84.386	15126	143,993
Title II-Mathematics and Science Partnerships	84.366	14512	988,218
Title III-Bilingual Education Discretionary Grant	84.290	10008	117,901
Title III-Limited English Proficiency Student	84.365	10084	1,379,656
Title IV-21st Century Community Centers Learning	84.287	14349	3,860,412
Title X-McKinney-Vento Homeless Assistance	84.196	14332	63,632
LEA	84.000	1	534,269
Alcohol Abuse Reduction Grant	84.184A	1	92,083
Individuals with Disability Act:			
Basic Local Assistance Entitlement	84.027	13379	3,521,056
Local Assistance, Part B, Section 611 Private Schools	84.027	10115	84,767
Mental Health Allocation Plan, Part B, Section 611 Private Schools	84.027	14468	49,690
Preschool Grants	84.173	13430	178,446
Preschool Local Entitlement	84.027A	13682	365,922
Early Intervention Grants	84.181	23761	246,523
Workability II	84.158	10006	221,285

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
ARRA: IDEA Part B, Section 611, Preschool Local	84.391	15002	54,137
ARRA: IDEA Part B, Section 619, Preschool Grants	84.392	15000	25,846
Carl Perkins Act:			
Vocational Programs	84.048	13570	4,556
Vocational and Applied Technology Secondary	84.048	13924	(23,539)
ARRA: State Fiscal Stabilization Fund	84.394	25008	522,575
Education Jobs Fund Act	84.410	25152	3,598,975
Subtotal			<u>29,944,349</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
Child Development Act:			
Federal Child Care Center Base	93.596	13609	397,662
Head Start	93.600	10016	5,900,717
Medi-Cal Billing Option	93.778	10013	405,861
Subtotal			<u>6,704,240</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
National School Lunch Act:			
National School Lunch Program	10.555	13396	5,019,643
National School Breakfast	10.553	13390	112
Meal Supplements	10.553	13390	477,896
Especially Needy Breakfast	10.553	13526	1,964,781
Child and Adult Care Food Program	10.558	23165	211,626
Fresh Fruits and Vegetables	10.558	14968	386,701
Commodity grants at fair market value	10.555	13396	207,783
Subtotal			<u>8,268,542</u>
Total Expenditures of Federal Awards			<u>\$ 44,917,131</u>

¹ Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Leslie De Rose	President	2014
Jeff Ursino	Vice President	2014
Sandra Nichols	Member	2012
Karen Osmundson	Member	2012
Willie Yahiro	Member	2014
Kim De Serpa	Member	2014
Doug Keegan	Member	2012

ADMINISTRATION

Dorma Baker	Superintendent
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See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2012

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,478	1,480
First through third	4,312	4,312
Fourth through sixth	3,834	3,841
Seventh and eighth	2,358	2,354
Home and hospital	5	5
Special education	393	394
Total Elementary	12,380	12,386
SECONDARY		
Regular classes	4,393	4,351
Continuation education	167	172
Home and hospital	5	5
Community day schools	46	45
Special education	208	207
Total Secondary	4,819	4,780
Total K-12	17,199	17,166
CLASSES FOR ADULTS		
Adults in correctional facilities	49	48
Grand Total	17,248	17,214
CHARTER SCHOOL		
Classroom-Based	1,190	1,134
Non Classroom-Based	248	251
Total Charter School	1,438	1,385

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2011-2012 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,500	30,625	36,000	33,600	36,000	175	In Compliance
Grades 1 - 3							
Grade 1	31,500	30,625	50,400	47,040	49,050	175	In Compliance
Grade 2	31,500	40,833	50,400	47,040	49,050	175	In Compliance
Grade 3	31,500	40,833	50,400	47,040	49,050	175	In Compliance
Grades 4 - 6							
Grade 4	42,000	40,833	54,000	50,400	52,920	175	In Compliance
Grade 5	42,000	51,042	54,000	50,400	52,811	175	In Compliance
Grade 6	42,000	51,042	54,000	50,400	52,811	175	In Compliance
Grades 7 - 8							
Grade 7	52,500	51,042	54,000	50,400	52,811	175	In Compliance
Grade 8	52,500	51,042	54,000	50,400	52,811	175	In Compliance
Grades 9 - 12							
Grade 9	59,500	57,847	64,800	60,480	65,160	175	In Compliance
Grade 10	59,500	57,847	64,800	60,480	65,160	175	In Compliance
Grade 11	59,500	57,847	64,800	60,480	65,160	175	In Compliance
Grade 12	59,500	57,847	64,800	60,480	65,160	175	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, 2012

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

	<u>Internal Service Fund</u>
FUND BALANCE: Major Funds	
Balance, June 30, 2012, Unaudited Actuals	\$ 10,222,315
Increase in:	
Claims Liability	(806,898)
Balance, June 30, 2012, Audited Financial Statement	<u>\$ 9,415,417</u>

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 ¹	2012	2011	2010
GENERAL FUND				
Revenues	\$ 163,486,221	\$ 172,845,394	\$ 170,530,502	\$ 170,059,333
Other sources and transfers in	124,167	517,020	546,279	10,894
Total Revenues and Other Sources	163,610,388	173,362,414	171,076,781	170,070,227
Expenditures	172,020,890	166,307,000	161,403,134	160,386,072
Other uses and transfers out	551,239	753,103	691,927	3,656,980
Total Expenditures and Other Uses	172,572,129	167,060,103	162,095,061	164,043,052
INCREASE (DECREASE) IN FUND BALANCE	\$ (8,961,741)	\$ 6,302,311	\$ 8,981,720	\$ 6,027,175
ENDING FUND BALANCE	\$ 35,686,965	\$ 44,648,706	\$ 38,346,395	\$ 29,364,675
AVAILABLE RESERVES ²	\$ 20,965,903	\$ 34,128,004	\$ 29,494,310	\$ 18,548,483
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	12.15%	20.43%	18.20%	11.31%
LONG-TERM DEBT	\$ 82,932,102	\$ 88,591,198	\$ 84,996,289	\$ 79,222,113
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	17,156	17,199	16,970	16,841

The General Fund balance has increased by \$15,284,031 over the past two years. The fiscal year 2012-2013 budget projects a decrease of \$8,961,741. 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 three operating surpluses in the past three years, but anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have increased by \$9,369,085 over the past two years.

Average daily attendance has increased by 358 over the past two years. A decline of 43 ADA is anticipated during fiscal year 2012-2013.

¹ Budget 2013 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On-behalf payments of \$3,664,078, \$3,053,855, and \$3,220,581, in the General Fund have been excluded from the revenues and expenditures for fiscal years ending June 30, 2012, 2011, and 2010, respectively.

⁴ Excludes Adult Education and Charter Schools ADA.

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012

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

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

CHARTER SCHOOLS

SCHEDULE OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	Linscott Elementary	Watsonville School of Arts	Pacific Coast Charter School	Alianza Elementary	Academic Vocational	Total
Fund balance, beginning	\$ 445,668	\$ 289,798	\$ 835,104	\$ 1,358,460	\$ (75,838)	\$ 2,853,192
Revenues	1,730,537	1,692,860	1,618,990	4,396,790	698,108	10,137,285
Expenditures	(1,532,665)	(1,763,725)	(1,611,694)	(4,496,494)	(617,487)	(10,022,065)
Fund balance, ending	<u>\$ 643,540</u>	<u>\$ 218,933</u>	<u>\$ 842,400</u>	<u>\$ 1,258,756</u>	<u>\$ 4,783</u>	<u>\$ 2,968,412</u>

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FIRST 5 MONTEREY GRANT
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

<i>Grantor/Program</i>	<i>Revenue</i>	<i>Expenditures</i>
First 5 Monterey	\$ 93,589	\$ 93,589

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	Charter School Fund	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 367,177	\$ 656,250	\$ 444,903	\$ 3,057,742
Receivables	2,609,315	125,743	236,805	-
Due from other funds	28,104	351,227	-	112,858
Total Assets	\$ 3,004,596	\$ 1,133,220	\$ 681,708	\$ 3,170,600
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 36,184	\$ 52,307	\$ 393,749	\$ 131,459
Due to other funds	-	-	72,695	-
Deferred revenue	-	51,160	183,312	-
Total Liabilities	36,184	103,467	649,756	131,459
Fund Balances:				
Restricted	2,968,412	-	31,952	-
Committed	-	1,029,753	-	3,039,141
Total Fund Balances	2,968,412	1,029,753	31,952	3,039,141
Total Liabilities and Fund Balances	\$ 3,004,596	\$ 1,133,220	\$ 681,708	\$ 3,170,600

See accompanying note to supplementary information

Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 78,639	\$ 776,571	\$ 5,278	\$ 2,913,322	\$ 8,299,882
-	-	-	-	2,971,863
-	-	36,170	-	528,359
<u>\$ 78,639</u>	<u>\$ 776,571</u>	<u>\$ 41,448</u>	<u>\$ 2,913,322</u>	<u>\$ 11,800,104</u>

\$ -	\$ 3,975	\$ 3,713	\$ -	\$ 621,387
78,639	70,389	-	-	221,723
-	-	-	-	234,472
<u>78,639</u>	<u>74,364</u>	<u>3,713</u>	<u>-</u>	<u>1,077,582</u>
-	702,207	37,735	2,913,322	6,653,628
-	-	-	-	4,068,894
-	<u>702,207</u>	<u>37,735</u>	<u>2,913,322</u>	<u>10,722,522</u>
<u>\$ 78,639</u>	<u>\$ 776,571</u>	<u>\$ 41,448</u>	<u>\$ 2,913,322</u>	<u>\$ 11,800,104</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

	Charter School Fund	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES				
Revenue limit sources	\$ 7,704,409	\$ -	\$ -	\$ -
Federal sources	-	167,302	6,298,379	-
Other State sources	1,929,187	867,575	2,833,036	-
Other local sources	84,336	523,831	358,316	15,256
Total Revenues	9,717,932	1,558,708	9,489,731	15,256
EXPENDITURES				
Current				
Instruction	6,227,603	1,168,767	5,849,967	-
Instruction-related activities:				
Supervision of instruction	124,026	357,458	1,889,298	-
Instructional library, media, and technology	207,750	47,574	125,365	-
School site administration	3,130,508	560,676	82,497	-
Pupil services:				
Food services	-	-	70	-
All other pupil services	2,910	1,405	831,010	-
Administration:				
All other administration	4,559	43,921	251,812	-
Plant services	297,665	10,597	461,774	643,046
Facility acquisition and construction	5,962	6,558	17,086	103,115
Ancillary services	5,359	-	-	-
Community services	1,400	-	-	-
Debt service				
Principal	13,286	65,000	-	-
Interest and other	1,038	54,609	-	-
Total Expenditures	10,022,066	2,316,565	9,508,879	746,161
Excess (Deficiency) of				
Revenues Over Expenditures	(304,134)	(757,857)	(19,148)	(730,905)
Other Financing Sources (Uses)				
Transfers in	419,354	331,795	1,954	-
NET CHANGE IN FUND BALANCES	115,220	(426,062)	(17,194)	(730,905)
Fund Balance - Beginning	2,853,192	1,455,815	49,146	3,770,046
Fund Balance - Ending	\$ 2,968,412	\$ 1,029,753	\$ 31,952	\$ 3,039,141

See accompanying note to supplementary information

Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 7,704,409
-	-	-	-	6,465,681
-	-	-	32,068	5,661,866
797	1,150,372	236	3,781,415	5,914,559
797	1,150,372	236	3,813,483	25,746,515
-	-	-	-	13,246,337
-	-	-	-	2,370,782
-	-	-	-	380,689
-	-	-	-	3,773,681
-	-	-	-	70
-	-	-	-	835,325
-	-	-	-	300,292
-	620,740	-	-	2,033,822
273,835	87,237	35,120	-	528,913
-	-	-	-	5,359
-	-	-	-	1,400
-	-	-	1,755,000	1,833,286
-	-	-	1,913,725	1,969,372
273,835	707,977	35,120	3,668,725	27,279,328
(273,038)	442,395	(34,884)	144,758	(1,532,813)
-	-	-	-	753,103
(273,038)	442,395	(34,884)	144,758	(779,710)
273,038	259,812	72,619	2,768,564	11,502,232
\$ -	\$ 702,207	\$ 37,735	\$ 2,913,322	\$ 10,722,522

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that had been recorded as revenues in the fiscal year ended June 30, 2011 then spent during the fiscal year ended June 30, 2012. The unspent balances are reported as legally restricted ending fund balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 44,186,773
Add: Expenditures for State Fiscal Stabilization Funds in excess of amounts received	84.394	522,575
Add: Fair Market Value of Commodities not recorded in the financial statements	10.555	207,783
Total Schedule of Expenditures of Federal Awards		<u>\$ 44,917,131</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

Charter School Statement of Changes in Fund Balances

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

First 5 Monterey Grant Schedule of Revenues and Expenditures

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Pajaro Valley Unified School District
Watsonville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pajaro Valley Unified School District as of and for the year ended June 30, 2012, which collectively comprise Pajaro Valley Unified School District's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Pajaro Valley Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pajaro Valley Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pajaro Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pajaro Valley Unified School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pajaro Valley Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Palo Alto, California
December 14, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Compliance

We have audited Pajaro Valley Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pajaro Valley Unified School District's major Federal programs for the year ended June 30, 2012. Pajaro Valley 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 of Pajaro Valley Unified School District's compliance with those requirements.

In our opinion, Pajaro Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Pajaro Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Pajaro Valley Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pajaro Valley Unified School District's internal controls over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Palo Alto, California
December 14, 2012



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Pajaro Valley Unified School District
Watsonville, California

We have audited Pajaro Valley Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies*, applicable to Pajaro Valley Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of Pajaro Valley Unified School District's compliance with those requirements.

In our opinion, Pajaro Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Pajaro Valley Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes

	Procedures in Audit Guide	Procedures Performed
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
Districts or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	Yes
Mode of instruction	1	Yes
Non classroom-based instruction/independent study	15	Yes
Determination of funding for non classroom-based instruction	3	Yes
Annual instruction minutes classroom based	4	Yes

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wassinek, Trine, Day & Co., LLP

Palo Alto, California
December 14, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies)?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with of OMB Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>84.010 & 84.389 (ARRA)</u>	<u>Title I - Basic Grants, Low Income and Neglected</u>
<u>84.377 & 84.388 (ARRA)</u>	<u>Title I - School Site Improvement Grant</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.365</u>	<u>Title III - Limited English Proficiency</u>
<u>10.553 & 10.555</u>	<u>National School Lunch Program</u>
<u>84.394 (ARRA)</u>	<u>State Fiscal Stabilization Funds</u>
<u>84.386 (ARRA)</u>	<u>Title II - Enhancing Education Through Technology</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,347,514</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Qualified</u>
Unqualified for all programs except for the independent study program which was qualified.	

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code
40000

AB 3627 Finding Type
State Compliance

2012-1 Code : 40000 State Compliance

Criteria or Specific Requirements

Local Educational Agencies that offer short-term independent study to students must obtain a written agreement with signatures affixed before the commencement of the independent study by the pupil, the pupils parents or guardian, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and any other person(s) who had direct responsibility for providing assistance to the pupil or adult education student.

Condition

Written agreements for independent study allowed did not have the pupil's signature affixed to the document.

Questioned Costs

\$10,400.

Context

Auditors inspected the records for three of the short-term independent study agreements entered into. Of those, two did not have signatures by the pupils.

Effect

The California Educational Code requires signatures by the pupils to validate the pupil understands the nature and extend of the work to be completed outside of school.

Cause

School site personnel were unaware of this requirement.

Recommendation

We recommend that the District provide regular and updated training and information to school site personnel in-charge of attendance and short-term independent study programs regarding the requirements for short-term independent study programs on a regular basis.

Corrective Action Plan

Implement recommendations.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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

Financial Statement Findings

2011-1 Code 30000

Internal Control

Finding

An estimate for the costs related to IBNR claims was not generated for the fiscal year ended June 30, 2011.

Recommendation

The District needs to estimate the claims liability themselves on at least an annual basis, or contract out to an actuary to prepare the estimate at the end of the fiscal year, every year.

Current Status

The recommendation has been implemented.

2011-2 Code 30000

Internal Control

Finding

It was noted that a significant number of employees' time off for vacation was not properly reflected in the time accounting system of the District. In addition, the District has no cap on the number of vacation hours that can be accrued.

Recommendation

The District should consider the establishment of maximum caps for vacation accrual. Employees that hit the cap would be encouraged to use vacation to lower overall vacation liabilities throughout the District. This policy is in place in other school districts and public agencies. Finally, supervisors and managers must ensure that all employees reporting to them are filing their vacation request forms on time with the District. District leadership should establish appropriate controls and/or systems to make sure this is occurring.

Current Status

The recommendation has been implemented.

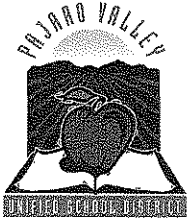
Federal Awards Findings

None reported.

State Awards Findings

None reported.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT



Board Agenda Backup

Item No: 12.2

Date: January 16, 2013

Item: Appoint Members to Board Standing Committees and Organizations

Overview: Attached for your information is the list of the current members attending each standing committee. At its Annual Organization Board meeting, this item was discussed and appointments were to be officially made at this January meeting.

The following committees are in place:

1. *Community Advisory Committee – SELPA*
2. *District English Learners Advisory Committee (DELAC)*
3. *Fringe Benefits*
4. *GATE Advisory Committee*
5. *Governmental Relations*
6. *Mello Center JPA*
7. *Migrant Head Start Policy Advisory*
8. *Pajaro Valley Prevention and Student Assistance (PVPSA)*
9. *Safety Committee*
10. *SPECTRA*

Attached is the list of the committees for 2012 that includes trustees who were part of them. The 2013 sheet, also attached, includes the names of trustees who have contacted the Superintendent's office and asked to be on those committees.

Recommendation: Appoint members to Board standing committees.

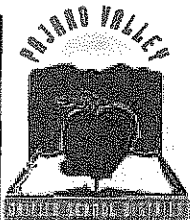
Prepared By: Dorma Baker, Superintendent

Superintendent's Signature: Dorma Baker



BOARD STANDING COMMITTEE APPOINTMENTS 2012

COMMITTEE	NAMES	Dates/Times
Board Agenda Committee (Elected/Appointed Officers) Superintendent's Office	Willie Yahiro Leslie DeRose Jeff Ursino	Tuesdays of week prior to Board meeting, 9:00 am, Superintendent's Office
Community Advisory Committee SELPA (CAC) (Joji Muramoto, joji@ucsc.edu ; 728-4532) (Elvira Martinez, 786-2100 x2782)	Sandra Nichols Kim De Serpa Karen Osmundson	Once/Month Days Vary 6:30 pm
District English Learner Advisory Committee (ELAC) (Ruby Vasquez 786-2100 x2614)	Doug Keegan Karen Osmundson	Once/Month Tuesday 7:00 pm
Fringe Benefits (Maria Burnett 786-2100 x2550)	Open for observation	See calendar for time and place
GATE Advisory Committee (Lynn Olson, Coordinator 786-2100 x 2580)	Kim De Serpa Jeff Ursino	Three meetings per year Tuesday, 7:00 pm
Inter-Governmental Relations (City Library, 2 nd Floor, Elizabeth 768-3010 elizabeth.padilla@cityofwatsonville.org)	Willie Yahiro Sandra Nichols Jeff Ursino	Once Every Two Months First Monday 4:30 pm
Mello Center JPA (City of Watsonville) (City Library, 2 nd Floor, Elizabeth 768-3010)	Doug Keegan Willie Yahiro	Once/Quarter Third Monday 5:30 pm
Migrant Head Start Policy Advisory (Carole Clarke 786-2186)	Sandra Nichols Karen Osmundson	See calendar for time and place
Pajaro Valley Prevention Student Assistance (PVPSA) (Monica Torres - 728-6300 x 302)	Doug Keegan Kim De Serpa (altérnate)	Once/Month 3 rd Tuesday @ 4 pm
Safety (Rich Buse, x2195)	Committee not active	TBD
Arts Education Advisory Committee - SPECTRA (Cultural Council of SCZ County, Sonia Deetz, 475-9600 x20 e-mail: artsedcoord@ccscc.org)	Leslie De Rose Kim De Serpa	Quarterly 4:30 pm

**Board Agenda Backup**

Item No: 12.4

Date: January 16, 2013**Item:** First Reading of the Student Calendar for the 2013-2014 School Year

Background: A District Calendar Committee met in December 2012 to complete a partially drafted 2013-14 Student Calendar. The Committee is comprised of a broad representation of District personnel, including parents, and union leadership.

A Calendar Committee was initially formed in January of 2012 with the charge of creating 3 calendars for the 2012-13, 2013-14, and 2014-15 years. Last spring the Committee brought forward the 2012-13 with the intent of continuing the work to complete the successive years at a later time. The Committee was convened in December 2012 and completed the 2013-14 calendar which is the subject of this Board Item. The 2014-15 calendar will be forthcoming as soon as possible in order to complete the intended 3-year cycle.

This submittal is in alignment with Article V of the collective bargaining agreement between the Pajaro Valley Unified School District and the Pajaro Valley Federation of Teachers. The process states that

"D. Within ten (10) days after presentation to the Board either the District or the Union may provide written notice to the other party of intent to meet and negotiate on any and all of the recommendations of the calendar committee that are within the scope of negotiations.

E. If neither party notifies the other in writing, the Calendar committee report shall be considered for adoption by the Governing Board at the next regular meeting following expiration of the ten (10) day notification period. If the Board does not adopt the recommended calendars, they shall be resubmitted for further negotiations. The calendar shall be subject to ratification by both the District and PVFT after completion of the process."

Recommendation: This is a first reading of the Student Calendar for the 2013-2014 school year.

Prepared by:

Sharon Roddick
Sharon Roddick, Assistant Superintendent

Superintendent's Signature:

Dorm Bae

Pajaro Valley Unified School District 2013-2014



FIRST READING - DRAFT

JULY

M	T	W	T	F
1	2	3	4	5
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26
29	30	31		

AUGUST

M	T	W	T	F
			1	2
5	6	7	8	9
12	13	14	15	16
18	20	21	22	23
26	27	28	29	30

SEPTEMBER

M	T	W	T	F
1	3	4	5	6
9	10	11	12	13
16	17	18	19	20
23	24	25	26	27
30				

OCTOBER

M	T	W	T	F
	1	2	3	4
7	8	9	10	11
14	15	16	17	18
21	22	23	24	25
28	29	30	31	

NOVEMBER

M	T	W	T	F
				1
4	5	6	7	8
11	12	13	14	15
18	19	20	21	22
25	26	27	28	29

DECEMBER

M	T	W	T	F
2	3	4	5	6
9	10	11	12	13
16	17	18	19	20
23	24	25	26	27
30				

CODE:

- Legal Holiday
- Stu/Tchr Recess
- Teacher Work Day
- Begin/End Qtr/Sem
- Trimesters
- SBC Days

15th SBC Day
16th Teacher Work Day
19th Begin/End Qtr/Sem

10 Student Days

2nd Labor Day

20 Student Days

23 Student Days

11th Veterans Day
28-29 Thanksgiving Break
27-29 Stu/Tchr Recess

17 Student Days

23rd Classified Floater Holiday
24-25 Christmas Holidays
31st Holiday

12/23/13-01/10/14 Winter Break
15 Student Days

JANUARY

M	T	W	T	F
1	2	3	4	5
6	7	8	9	10
13	14	15	16	17
20	21	22	23	24
27	28	29	30	31

1st New Year's Day
20th Martin Luther King Jr. Day

14 Student Days

FEBRUARY

M	T	W	T	F
3	4	5	6	7
10	11	12	13	14
17	18	19	20	21
24	25	26	27	28

10th Lincoln's Birthday
17th President's Day

18 Student Days

MARCH

M	T	W	T	F
3	4	5	6	7
10	11	12	13	14
17	18	19	20	21
24	25	26	27	28
31				

21 Student Days

APRIL

M	T	W	T	F
	1	2	3	4
7	8	9	10	11
14	15	16	17	18
21	22	23	24	25
28	29	30		

14-21 Spring Break

16 Student Days

MAY

M	T	W	T	F
			1	2
5	6	7	8	9
12	13	14	15	16
19	20	21	22	23
26	27	28	29	30

26th Memorial Day

21 Student Days

JUNE

M	T	W	T	F
2	3	4	5	6
9	10	11	12	13
16	17	18	19	20
23	24	25	26	27
30				

6th End Qtr/Semester

5 Student Days

180 Instructional Days

1st Semester: 85 Student Days

2nd Semester: 95 Student Days

Revised: 01/10/13

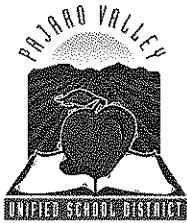
Board First Reading: 01/16/13



BOARD STANDING COMMITTEE APPOINTMENTS 2013

COMMITTEE	NAMES	Dates/Times
Board Agenda Committee (Elected/Appointed Officers) Superintendent's Office	Willie Yahiro Kim De Serpa Maria Orozco	Tuesdays of week prior to Board meeting, 8:30 am, Superintendent's Office
Community Advisory Committee SELPA (CAC) (Joji Muramoto, joji@ucsc.edu ; 728-4532) (Elvira Martinez, 786-2100 x2782)		Once/Month Days Vary 6:30 pm
District English Learner Advisory Committee (ELAC) (Ruby Vasquez 786-2100 x2614)	Maria Orozco	Once/Month Tuesday 7:00 pm
Fringe Benefits (Maria Burnett 786-2100 x2550)		See calendar for time and place
GATE Advisory Committee (Lynn Olson, Coordinator 786-2100 x 2580)	Maria Orozco	Three meetings per year Tuesday, 7:00 pm
Inter-Governmental Relations (City Library, 2 nd Floor, Elizabeth 768-3010 elizabeth.padilla@cityofwatsonville.org)	Willie Yahiro Maria Orozco	Once Every Two Months First Monday 4:30 pm
Mello Center JPA (City of Watsonville) (City Library, 2 nd Floor, Elizabeth 768-3010)		Once/Quarter Third Monday 5:30 pm
Migrant Head Start Policy Advisory (Carole Clarke 786-2186)		See calendar for time and place
Pajaro Valley Prevention Student Assistance (PVPSA) (Monica Torres - 728-6300 x 302)		Once/Month 3 rd Tuesday @ 4 pm
Safety (Rich Buse, x2195)		TBD
Arts Education Advisory Committee - SPECTRA (Cultural Council of SCZ County, Sonia Deetz, 475-9600 x20 e-mail: artsedcoord@ccscc.org)		Quarterly 4:30 pm

PAJARO VALLEY UNIFIED SCHOOL DISTRICT



Board Agenda Backup

Item No: 13.1

Date: January 16, 2013

Item: Canine Detection Program – Demonstration and Discussion

Overview: There has been some interest in reviewing a canine detection program for some school districts are using canines to serve as a deterrent to the use of drugs and weapons.

Proactive K-9 is a company that has extensive experience in districts like ours in utilizing canines to sniff lockers, clothing, backpacks etc. Company representative, Julia Ford, will present one or two of her canines and demonstrate the use of their program. More information is attached to this Board Agenda Backup.

Recommendation: Receive Report

Budget Considerations: None

Funding Source:

Budgeted: Yes: ☐ No: ☐

Amount: \$

Prepared By: Murry Schekman

Superintendent's Signature:

Dorm Boh



PROACTIVE K-9'S

Request for Proposal: Canine contraband detection services.

Pajaro Valley Unified School District

I would like to take this time to thank you for the opportunity to provide a proposal of canine detection services to your district, Pajaro Valley Unified School District. I believe our program is both cost effective and provides a renewed quality of service necessary for an effective deterrent program in your schools.

The Proactive K-9's program: The purpose of Proactive K-9's is to provide a safe and secure learning environment for all in the educational process. We are committed to providing an effective deterrent program to promote safety in your schools. The success of our program can be greatly measured by the reduction in the random incidence of finding contraband on campus. We want to build a positive relationship with students while maintaining a drug, alcohol and weapon free environment.

Legal considerations: Desiring legal parameters we recommend unannounced handler/canine inspections. The process is accomplished by having each school site submit a calendar denoting inappropriate visit dates. We suggest that Proactive K-9's select the dates of inspection without district knowledge. All areas on your campus should be checked in a random nature. Our canines are not trained to sniff people. When students are near the canines are not on their work command and react to students as any normal friendly dog would react.

Our handlers: As a brief matter of introduction, my name is Julia Ford. I have provided a high quality of canine detection services in schools since 1993. I would thoroughly enjoy providing you with the same excellent quality of service for many years to come.

Along with having canine handler experience I have also held the position as a training coordinator, responsible for personnel and canine training. I am currently training contraband, drug and explosive canines and have done so for the last 10 years. With this knowledge and experience will ensure the quality of our canines. It is my opinion that you are getting the highest quality of service available.

Our Canines: The breed of canines we use are Labrador retriever and Golden Retrievers. They are trained to detect the presence of illegal drugs, drinking alcohol, gun powdered bases items and a select group of abused medications. Our canines are all non-aggressive and must pass a temperament test prior to servicing. They are highly trained and certified through nationally recognized testing agencies every year.

Licensing and Insurance: Proactive K-9's is licensed and insured in accordance with state and company requirements.

Insurance Includes: General liability \$ 2,000,000 (aggregate)

Workers compensation

Automobile insurance

Alert record: Each canine alert will be recorded on a report. A copy of this is provided to the campus location at the end of each visit. A duplicate copy of this report is entered into the database for purposes of providing canine statistics and comparisons to the district as requested.

A document will provide a record of where a handler and canine have visited with the district, including the amount of time spent at each campus. A copy of this document accompanies the invoicing at the end of the month in which service is provided.

In the event of any student expulsion or prosecution, the Proactive K-9's handler will be available to assist with any testimony, records or other activities as required by the district office.

Service cost: Concerning your request for a copy proposal from January 16th thru June 15. We will provide 13 full day visits of service for \$ 350.00/full day service per team, which consists of 1 handler and 1 canine.

This proposal was submitted by:

Proactive K-9's

Julia Ford-owner

19768 Astoria drive

Hilmar, Ca 95324

Business phone: (209) 678-7116

E-mail: Proactivek9@aol.com



PAJARO VALLEY UNIFIED SCHOOL DISTRICT

Board Agenda Backup

Item No: 13.2

Date: January 16, 2013

Item: Update on Governor's Proposed January 2013-14 State Budget

Overview: On Thursday January 10, Governor Brown released his January 2013-14 Budget Proposal. This event marks the kick-off to the annual state budget deliberation process. Since public education represents over 43 percent of the state budget, the January proposal sets the stage for the major issues surrounding the upcoming state education budget.

District staff will attend several workshops provided by education finance experts and conduct a thorough analysis of the proposal's potential impact on district programs. Staff will present these findings at the board meeting. Attached are summary documents made available from various organizations representing school districts at the state level.

Staff notes the following observations specific to the district:

- The district has undergone six consecutive years with no COLA increase to state revenue limit and categorical program funding.
- The district's revenue limit and most categorical programs are currently funded below their 2007-08 per student levels.
- The governor's budget strategy will require the district to make assumptions for its June budget with the possibility of significant changes during the state budget process.

The governor has the first and last say in the state budget adoption process so the January proposal sets the framework for general budget development at the school district level. District staff will use the proposal to develop budget year assumptions and multi-year fiscal projections. All school districts are required by law to adopt balanced budgets no later than July 1 of each year.

Recommendation: Report and discussion only.

Prepared By: Brett W. McFadden, Chief Business Officer

Superintendent's Signature:

Dorm Bor

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CASBO newsbreak

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2013-02

Governor Releases Proposed State Budget for 2013-14

January 10, 2013

By Jeff Vaca and Sara C. Bachez, Governmental Relations

This morning, Governor Jerry Brown released his proposed state budget for 2013-14, stating at a press conference that California has come through great fiscal difficulty but has now achieved a balanced budget that reflects a state that is living within its means.

This report provides a high-level overview of the governor's proposals for K-12 education. Many questions will no doubt remain regarding the finer details of the proposed budget, and we will continue to provide additional details (and address those questions) in the days and weeks to come.

Key Components

The budget proposes a total Proposition 98 funding level of \$56.2 billion for 2013-14, an increase of \$2.7 billion over current year funding, and includes the following key components:

- Provides an increase of approximately \$1.8 billion to reduce inter-year budgetary deferrals.
Combined with the \$2.2 billion provided in 2012-13 to retire inter-year deferrals, the total outstanding deferral debt for K-12 will be reduced to \$5.6 billion at the end of the 2013-14 fiscal year. It is intended that all remaining deferrals would be paid off by the end of the 2016-17 fiscal year.
- Provides an increase of approximately \$1.6 billion in "growth funding" for school districts and charter schools.
- Dedicates \$400.5 million of revenues generated through the passage of Proposition 39 to K-12 schools for energy efficiency projects (and \$49.5 million to Community Colleges). As a result, the Proposition 98 minimum guarantee increases by \$526 million in 2013-14.
- Provides an increase of \$100 million to the K-12 portion of the mandates block grant to support costs with the Graduation Requirements and Behavioral Intervention Plans mandates.
- Provides an increase of \$28.2 million to support first-year implementation of a new funding formula for county offices of education in 2013-14.
- Provides an increase of \$48.5 million to support projected charter school ADA growth.

Local Control Funding Formula

As was the case in 2012, the centerpiece of the proposed K-12 budget is the enactment and implementation of a new K-12 school finance system, beginning in 2013-14. Now titled the "Local Control Funding Formula," the proposal is similar to the Weighted Student Formula included in last year's budget – the basic premise being the distribution of combined resources to schools through a base revenue limit grant with additional supplemental funding allocated to local educational agencies based on their proportion of English language learner and free and reduced-price meal eligible students. During his press conference this morning, the governor stated that his proposal was "controversial, but fair." During today's budget briefings, the Administration emphasized on several occasions the "enormous flexibility" that the formula will provide district in how they utilize their funding.

The governor's budget summary identifies the following specific elements in the proposal:

- The proposed formula will provide every school district a base grant adjusted for grade span cost differentials, multiplied by Average Daily Attendance (ADA). The average base grant when fully implemented will be equal to the current average undeficitated revenue limit.
- Growth funding will be used to restore district and county office of education base grants to their average 2007-08 undeficitated revenue limits.
- As noted above, the formula distributes resources to schools through a base revenue limit funding grant per unit of ADA with additional supplemental funding based on the proportion of English language learner and free and reduced-price meal eligible students in the district.
- The formula provides supplemental funding to districts based on the proportion of English language learners and free and reduced-price meal eligible students they serve. Supplemental funding is equal to 35 percent of the base grant. When the proportion of English language learners and economically disadvantaged students exceeds 50 percent of its total student population, the school district will receive an additional "concentration grant" equal to 35 percent of the base grant for each English language learner and economically disadvantaged student above the 50-percent threshold. The "concentration grant" has been one of the most controversial aspects of the governor's proposal, with observers noting that it funds equally disadvantaged students at sharply different funding rates, and adds unnecessary complexity to the formula.
- Local educational agencies are authorized to receive supplemental and concentration funding for an English language learner student for no more than five years. Charter schools would be treated essentially the same as a school district, but would not be eligible to receive a higher concentration grant than the school district in which it resides.
- While most categorical program funding is redistributed through the new funding formula, the Targeted Instructional Improvement Grant program and Home-to-School Transportation program funding allocations will be distributed as permanent add-on programs to the new funding formula allocations for each district. Schools will be provided with discretion to use these funds for any purpose.
- The formula links funding in the K-3 grade span adjustment to maximum class sizes. A student-to-teacher ratio of 24 to 1 is established as the maximum standard in grades K-3 upon full

implementation of the new formula. This ratio may be exceeded if agreed to at the local level, according to local priorities.

- The 9-12 grade span adjustment is enhanced to include a career technical education component, but the use of those funds would be at the discretion of the local board.
- Base funding will be used by each district at their discretion to fulfill local educational priorities. Under the new formula, basic aid districts would be defined as districts whose local property taxes equal or exceed their district's formula allocation. Those districts would continue to retain local property taxes in excess of their new formula allocation.
- The formula includes an accountability component that will require a local academic plan be approved by the board that is based on the district budget and concentrates on common core and career and college readiness.

Adult Education

On the fundamental policy premise that adult learners should be served in the institution responsible for adult learning, the budget proposes an increase of \$300 million to support the program within the community colleges. The budget summary states the Administration's belief the community colleges are better positioned than K-12 schools to address the needs of adult learners, because that is their core function.

Funding will be allocated for a new adult education block grant based on the number of students served, and the colleges will be encouraged to leverage the capacity and expertise currently available at K-12 district adult schools.

During budget briefings held today, Administration representatives emphasized that this proposal will not be taking any allocations away from school districts that they are now receiving, with those dollars now being "flexed." They anticipate that many local discussions will need to occur, recognizing how adult education has evolved differently in different areas.

Special Education

The proposed budget for special education funding proposes to change the AB 602 formula by eliminating the integration of federal funds in that formula. Currently, federal funds are used as an offset when calculating the amount of state aid each SELPA receives. Under the new proposal, the governor recommends treating both special education funding streams (state and federal) separately. The administration states that this proposal will "remove unnecessary complications in the formula and help equalize funding among special education local plan areas."

In addition, the proposal recommends eliminating or consolidating some existing special education categorical requirements for several special education program add-ons into the base of the AB 602 formula calculation. These add-ons are currently similar to grants based on specific student needs. The governor's budget summary does not specify which special education add-ons would be eliminated or modified.

Flexibility

The budget proposes the following permanent changes with respect to flexibility:

- Routine Maintenance Contributions – Eliminate the minimum contribution requirement for routine maintenance.
- Deferred Maintenance Program Matching Requirement – Eliminate the required local district set-aside for deferred maintenance contributions.
- Surplus Property – Allow districts to use the proceeds from the sale of any real and personal surplus property for any one-time General Fund purposes.

The budget summary states that the Administration will “engage local school officials and education stakeholders in a discussion of the need for additional flexibility until funding returns to the 2007-08 level.”

School Facilities

The budget summary states that now is an appropriate time to engage in a dialogue on the future of school facilities funding, and in briefings today Administration representatives stated that the governor is not yet ready to support a K-12 facilities bond, until there is an examination of the state’s role in financing school facilities.

To that end, the Administration suggests the following guiding principles:

- From a state perspective, future K-12 facilities funding needs must be considered in the context of other competing education and non-education priorities and needs.
- The school facilities construction process should be easy to understand and efficient.
- School districts and their respective localities should have appropriate control of the school facilities construction process and priorities.

As noted in the introduction to this article, many details regarding the budget remain to be fleshed out in the days and weeks to come. We will continue to provide additional information and clarification as needed, and as events warrant.

All CASBO NewsBreaks are posted on the CASBO website at www.casbo.org. The legislative status indicated for the bills in this report reflect the location of each of these measures as of the day the report was posted. To get up-to-the-minute status of bills including additional information on bills, bill text, analyses, legislative vote records, and veto messages, log on to the state’s Official Legislative Information website at www.leginfo.ca.gov. For other questions regarding topics covered, you may contact Jeff Vaca, Deputy Executive Director, Governmental Relations, at jvaca@casbo.org or Sara C. Bachez, Legislative Advocate, Governmental Relations, at sbachez@casbo.org.



Governor's 2013-14 January Budget Proposal

January 10, 2013

Today, Governor Brown released his annual January budget proposal. After weeks of speculation, the state has a concrete look at the governor's proposals. There are a few surprises and major changes to education programs and funding. This begins the annual conversation regarding the state's finances.

Overall

When the governor came into office, the state faced ongoing budget deficits that reached approximately \$20 billion. After major reductions to state expenditures and the passage of Proposition 30, the state is now on the verge of seeing budget surpluses with a balanced budget for the coming years. Proposition 30 used public education as the linchpin to pass the initiative and the governor is proposing a budget that invests those additional dollars in public education, K-12 and higher education. The governor is sticking with the same game plan he used when elected to office – pay down debt and invest in education.

The governor is proposing to provide more local control to school districts through a new funding formula. Further, he is moving to pay down more of the state's debt by paying off deferrals. On the non-Proposition 98 side, the governor intends to expand health care coverage and continue to strengthen California fiscal house.

Education Budget

The governor's proposal provides \$56.2 billion for the 2013-14 fiscal year. This is an increase of \$2.7 billion from the 2012-13 fiscal year. This increase includes \$6 billion from the passage of Proposition 30. Proposition 98 also includes an increase of \$526 million from the passage of Proposition 39.

However, \$450 million of the increase will be allocated to school districts and community colleges specifically for energy efficiency projects. Finally, the governor is proposes to repay \$1.8 billion in inter-year deferrals.

The governor continues to pursue education finance reform through weighted student formula, which is renamed “Local Control Funding Formula.” The proposed reform will fund districts through a base grant with additional supplemental funding weighted based on English Language Learners, Social Economic Students (i.e. those on Free and Reduced Priced Lunch) and foster youth. These weights will be equal to 35 percent of the base grant. In addition, districts with more than fifty percent of the subgroups will receive a concentration grant that is also 35 percent of the base grant. There are several programs that are excluded from this proposal and will remain separate add-ons to district funding. These include the Targeted Instructional Improvement Grant, Special Education, school nutrition, and school transportation. Other changes include the following:

- Allocating half of the available Proposition 98 growth funding to move local educational agencies towards their respective formula allocation.
- Folding current career technical education funding into a 9-12 grade span adjustment.
- Authorizing local educational agencies to receive supplemental and concentration grant funding for an English language learner student for no more than five years.
- Linking funding in the K-3 grade span adjustment to maximum class sizes. A student-to-teacher ratio of 24 to 1 is established as the maximum standard in grades K-3 upon full implementation of the new formula. This ratio may be exceeded if agreed to at the local level according to local priorities.

The governor’s budget proposes several other reforms:

Accountability – Districts will need to have a plan that describes 1) Basic conditions for student achievement (having qualified teachers at each school site, sufficient instructional materials available for students, and school facilities in good repair). 2) Programs or instruction that benefit low-income students and English language learners. 3) Implementation of Common Core content

standards and progress toward college and career readiness (as measured by the Academic Performance Index, graduation rates, and completion of college-preparatory and career technical education courses).

Charter Schools - Shifting the Charter School Facility Grant Program and the Charter School Revolving Loan Program from the Department of Education to the California School Finance Authority to improve the efficiency of charter school program administration and disbursement of funds to local charter schools. The Authority already administers similar programs. Expanding the Charter Schools Facility Grant Program to include eligibility for non-classroom based charter.

Special Education Finance – Eliminates the integration of federal funds in the state's AB 602 calculation and treating both funding streams separately to remove unnecessary complications in the formula and help equalize funding among special education local plan areas. Consolidates funding for several special education program add-ons into the base AB 602 formula calculation, while collapsing another 15 special education add-on programs into 10 based on similar activities.

Adult Education -- Moves the primary responsibility for Adult Education from K-12 to the community college system.

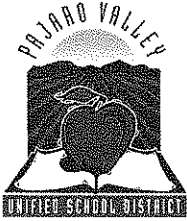
Online Education – Authorizes school districts to provide asynchronous online course through outcome-focused independent study agreements.

ACSA Perspective

ACSA is still reviewing the governor's proposal and will provide an in depth analysis of the governor budget proposal in the coming days. For more information, please contact Adonai Mack at amack@acsa.org.



PAJARO VALLEY UNIFIED SCHOOL DISTRICT



Board Agenda Backup

Item No: 13.3

Date: January 16, 2013

Item: Review of Safety/Emergency Preparedness Procedures and Practices

Overview: In light of the tragedy at Newtown, Connecticut, it is a good time to review our level of preparedness at each of our schools and other facilities. Board Policy 3516 was adopted in May of 2008. Tonight we will review the process, Board Policy and specific examples of practices at our school sites.

Our district works well with all agencies to ensure and enhance safety on our campuses. We have School Resource Officers at our three comprehensive high schools. We work closely with all law enforcement agencies to plan proactively for both prevention and suppression. We also work with a variety of counseling agencies, including Pajaro Valley Prevention and Student Assistance and Youth Services, as two examples. The cuts in the last few years have affected our district and all of the agencies mentioned, including the law enforcement, but we have kept safety and security as high priorities in our district. But this network has been vital in maintaining security and safety on our campuses.

Our policy calls for regular practice drills with emphasis on the following seven situations:

1. Fire on or off school grounds which endangers students and staff
2. Earthquake or other natural disasters
3. Environmental hazards
4. Attack or disturbance, or threat of attack or disturbance, by an individual or group
5. Bomb threat or actual detonation
6. Biological, radiological, chemical, and other activities, or heightened warning of such activities
7. Medical emergencies and quarantines, such as a pandemic influenza outbreak

The district policy also ensures that the district's procedures include strategies and activities such as the regular inspection of school facilities, instruction and practice for students and employees regarding emergency plans, providing emergency supplies in each classroom, identifying specific staff member's responsibilities in case of a disaster and more.

Cuts and position consolidation in personnel at the site and at the district level have impacted all aspects of our district. The passing of Measure L

will assist with some of the security needs. Measure L's emphasis on safety will lead needed upgrades to our facilities that will enhance security and safety. Classroom doors that can be locked from the inside of the classroom are but one example.

Tonight's presentation will highlight the policy and practices in our district and provide a basic foundation of information for our Board of Trustees and the community.

Recommendation: Accept Report.

Budget Considerations: None

Funding Source:

Budgeted: Yes: ☐ No: ☐

Amount: \$

Prepared By: Murry Schekman

Superintendent's Signature: Dan Bok