SALINAS UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SALINAS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salinas Union High School District
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas Union High School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 67, schedule of changes in the District's total OPEB liability and related ratios on page 68, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 69, schedule of the District's proportionate share of the net pension liability on page 70, and the schedule of District contributions on page 71, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salinas Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Salinas Union High School 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salinas Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 12, 2018

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This section of Salinas Union High School District's (2017-2018) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, and comparative information for the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Salinas Union High 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. These statements include all assets of the District (including capital assets) and deferred outflows, as well as all liabilities (including long-term obligations) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the two categories of activities which are governmental and fiduciary.

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

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Salinas Union High School District.

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REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of seventh through grade twelve students, a continuation high school, an independent study program, an adult education school, a community day school, a regional occupational program, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position* and the *Statement of Changes in Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $45.5 million for the fiscal year ended June 30, 2018, and 53.8 million for the fiscal year ended June 30, 2017, a decrease of $8.3 million. Of this amount, $25.4 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Dollar amounts in millions)	Governmental Activities		
	2018	2017, as restated	Variance
Assets			
Current and other assets	$ 129.3	$ 171.4	$ (42.1)
Capital assets (Net of accumulated depreciation)	208.1	170.4	37.7
Total Assets	337.4	341.8	(4.4)
Deferred Outflows of Resources	61.6	33.4	28.2
Liabilities			
Current liabilities	19.6	16.6	3.0
Long-term obligations	149.9	157.0	(7.1)
Net pension liability	177.6	144.1	33.5
Total Liabilities	347.1	317.7	29.4
Deferred Inflows of Resources	6.4	3.7	2.7
Net Position			
Net investment in capital assets	124.9	115.2	9.7
Restricted	25.4	31.3	(5.9)
Unrestricted	(104.8)	(92.7)	(12.1)
Total Net Position	$ 45.5	$ 53.8	$ (8.3)

The $45.5 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by $12.1 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Dollar amounts in millions)	Governmental Activities		
	2018	2017	Variance
Revenues			
Program revenues:			
Charges for services	$ 2.1	$ 2.2	$ (0.1)
Operating grants and contributions	31.1	32.3	(1.2)
General revenues:			
Federal and State aid not restricted	121.1	115.5	5.6
Property taxes	45.7	46.7	(1.0)
Other general revenues	7.9	3.9	4.0
Total Revenues	207.9	200.6	7.3
Expenses			
Instruction-related	148.1	133.9	14.2
Pupil services	31.8	27.3	4.5
Administration	9.5	8.4	1.1
Plant services	19.3	19.3	-
Other	7.5	9.9	(2.4)
Total Expenses	216.2	198.8	17.4
Change in Net Position	$ (8.3)	$ 1.8	$ (10.1)

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $216.2 million, as compared to $198.8 million in the prior year. The amount that our taxpayers financed for these activities through local taxes was $45.7 million because the cost was paid by those who benefited from the programs ($2.1 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($31.1 million). We paid for the remaining "public benefit" portion of our governmental activities with $121.1 million in unrestricted Federal and State funds and $7.9 million in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, including instruction-related activities, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits provided by that function.

Table 3

(Dollar amounts in millions)	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 148.1	$ 126.0	$ 133.9	$ 111.2
Pupil services	31.8	24.2	27.3	18.9
Administration	9.5	8.1	8.4	7.3
Plant services	19.3	18.2	19.3	18.0
All other services	7.5	6.5	9.9	8.9
Total	$ 216.2	$ 183.0	$ 198.8	$ 164.3

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $109.7 million while the prior year reported $154.8 million, which is a decrease of $45.1 million (Table 4).

Table 4

(Dollar amounts in millions)	Balances		
	June 30, 2018	June 30, 2017	Variance
Major Governmental Funds			
General	$ 52.2	$ 54.5	$ (2.3)
Building	33.6	72.9	(39.3)
Non-Major Governmental Funds			
Adult Education	- [1]	- [1]	-
Cafeteria	9.1	9.8	(0.7)
Deferred Maintenance	1.4	1.5	(0.1)
Capital Facilities	2.0	1.2	0.8
Special Reserve Capital Projects	0.1	0.1	-
Bond Interest and Redemption	11.3	14.8	(3.5)
Total	$ 109.7	$ 154.8	$ (45.1)

[1] Amounts less than $50,000 rounded to zero.

The General Fund is the District's principal operating fund. The fund balance in the General Fund decreased from $54.5 million to $52.2 million due primarily to increased salary and benefits costs. The decrease in Building Fund of $39.3 million is primarily due the construction costs for the new high school. The non-major governmental funds decreased by about $3.5 million in total, primarily due to a decrease in the Bond Interest and Redemption Fund in which debt payments exceeded local tax revenues for debt service.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2018. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District projected a decrease in fund balance of approximately $6.6 million. Although revenues and transfers in were $5.8 million less than expected, expenditures and transfers out were $10.1 million less than expected, resulting in a decrease to the fund of $2.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $170.4 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2018, the District's net capital assets were $208.1 million. This amount represents a net increase (including additions, deductions and depreciation) of $37.7 million from last year (Table 5).

Table 5

(Dollar amounts in millions)	Governmental Activities		
	2018	2017	Variance
Land and construction in process	$ 110.7	$ 67.3	$ 43.4
Land improvements	6.4	7.4	(1.0)
Buildings and improvements	86.2	90.7	(4.5)
Furniture and equipment	4.8	5.0	(0.2)
Total	$ 208.1	$ 170.4	$ 37.7

We present more detailed information about our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had $149.9 million in obligations outstanding versus $157.0 million last year, a decrease of $7.1 million. The long-term obligations of the District include the following:

Table 6

(Dollar amounts in millions)	Governmental Activities		
	2018	2017, as restated	Variance
General obligation bonds	$ 116.8	$ 128.1	$ (11.3)
Compensated absences	1.5	1.1	0.4
Other postemployment benefits	31.6	27.8	3.8
Total	$ 149.9	$ 157.0	$ (7.1)

The District's S&P bond rating as of the most recent bond issuance was "AAA/A".

We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

Net Pension Liability (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2018, the District reported Deferred Outflows from pension activities of $61.2 million, Deferred Inflows from pension activities of $6.4 million, and a Net Pension Liability of $177.6 million.

We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

FOR THE FUTURE

The State of California continues to financially support schools through the Local Control Funding Formula (LCFF). The LCFF uses a three-tier calculation involving base grants plus supplemental grants and concentrated grants. Supplemental and Concentrated grants are unique to each district as they are based on unduplicated count of English Learners, Foster Youth and pupils approved for Free/Reduced price meals. The District's unduplicated count equals 74.48 percent. The Governor is fully funding the LCFF in 2018-2019; two years earlier than planned. The 2018-2019 increase for the District is 7.44 percent; net increase per ADA is $757.11.

The LCFF full implementation addresses the District's revenues but no other costs over the same period. The District is seeing its costs rise significantly due to the increase in employer contribution rates to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS). Employer rate increases will continue well beyond full implementation of the LCFF.

As with the proposed budget, the Governor warns that California will soon face an economic downturn, noting that California's economic recovery has lasted four years longer than average and that "now is a time to save; not to make pricey promises we can't keep".

One of the consequences of the State Budget Act and the passage of Proposition 2 (2014) was the addition of a requirement that would place limit on the level of reserves that school district could maintain when certain conditions exist. Based on the enacted State Budget, all of the conditions for implementation of those limitations will not be met in 2017-2018 and, therefore, the cap will not be triggered.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ana Aguillon, Manager of Business Services/CBO at (831) 796-7018 or Graciela Hidalgo, Manager of Fiscal Services at (831) 796-7016.

SALINAS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 122,834,129
Receivables	6,316,393
Prepaid Expense	96,911
Stores inventories	5,372
Nondepreciable capital assets	110,734,321
Capital assets being depreciated	246,302,675
Accumulated depreciation	(148,927,907)
Total Assets	337,361,894
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on refunding	377,007
Deferred outflows of resources related to pensions	61,237,660
Total Deferred Outflows of Resources	61,614,667
LIABILITIES	
Overdrafts	821,351
Accounts payable	13,556,558
Unearned revenue	5,191,435
Long-term obligations:	
Current portion of long-term obligations other than pensions	8,815,000
Noncurrent portion of long-term obligations other than pensions	141,050,808
Total Long-Term Obligations	149,865,808
Aggregate net pension liability	177,649,507
Total Liabilities	347,084,659
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,434,404
NET POSITION	
Invested in capital assets, net of related debt	124,909,844
Restricted for:	
Debt service	11,252,891
Capital projects	2,003,017
Educational programs	2,979,306
Other activities	9,140,540
Unrestricted	(104,828,100)
Total Net Position	$ 45,457,498

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

SALINAS UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental Activities:			
Instruction	$ 117,760,478	$ 79,140	$ 17,563,901
Instruction-related activities:			
Supervision of instruction	17,688,528	12,499	3,806,461
Instructional library, media and technology	1,130,604	-	76,618
School site administration	11,547,655	8,196	529,855
Pupil services:			
Home-to-school transportation	7,644,544	6,270	7,882
Food services	6,560,743	1,830,136	3,161,032
All other pupil services	17,641,323	15,182	2,633,071
General administration:			
Data processing	2,763,836	-	-
All other general administration	6,722,290	106,739	1,314,371
Plant services	19,300,134	77,444	1,012,967
Ancillary services	953,452	-	21,870
Community services	50,835	-	-
Interest on long-term obligations	3,530,639	-	-
Other outgo	2,933,759	-	956,813
Total Governmental-Type Activities	$ 216,228,820	$ 2,135,606	$ 31,084,841

General revenues and subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Taxes levied for other specific purposes

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Transfers between agencies

Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (100,117,437)
(13,869,568)
(1,053,986)
(11,009,604)
(7,630,392)
(1,569,575)
(14,993,070)
(2,763,836)
(5,301,180)
(18,209,723)
(931,582)
(50,835)
(3,530,639)
(1,976,946)
(183,008,373)
34,615,572
10,953,270
172,862
121,114,544
740,469
52,806
7,063,117
174,712,640
(8,295,733)
53,753,231
$ 45,457,498

SALINAS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 63,060,157	$ 35,283,753	$ 24,490,219
Receivables	5,413,582	131,813	770,998
Due from other funds	457,576	769,487	838,823
Prepaid expenditures	51,425	-	45,486
Stores inventories	-	-	5,372
Total Assets	$ 68,982,740	$ 36,185,053	$ 26,150,898
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ 821,351
Accounts payable	10,794,286	2,579,175	183,097
Due to other funds	838,823	-	1,227,063
Unearned revenue	5,168,045	-	23,390
Total Liabilities	16,801,154	2,579,175	2,254,901
FUND BALANCES			
Nonspendable	73,025	-	50,858
Restricted	2,979,306	33,605,878	22,345,590
Committed	-	-	1,445,827
Assigned	32,909,218	-	53,722
Unassigned	16,220,037	-	-
Total Fund Balances	52,181,586	33,605,878	23,895,997
Total Liabilities and Fund Balances	$ 68,982,740	$ 36,185,053	$ 26,150,898

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

Total Governmental Funds	
$	122,834,129
	6,316,393
	2,065,886
	96,911
	5,372
$	131,318,691
$	821,351
	13,556,558
	2,065,886
	5,191,435
	21,635,230
	123,883
	58,930,774
	1,445,827
	32,962,940
	16,220,037
	109,683,461
$	131,318,691

SALINAS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 109,683,461**
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	$ 357,036,996	
Accumulated depreciation is	(148,927,907)	
Total capital assets		208,109,089
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	15,760,771	
Net change in proportionate share of net pension liability	10,719,197	
Difference between projected and actual earnings on pension plan investments	1,494,428	
Differences between expected and actual experience in the measurement of the total pension liability.	2,044,888	
Changes of assumptions	31,218,376	
Total Deferred Outflows of Resources Related to Pensions		61,237,660
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Difference between projected and actual earnings on pension plan investments	(3,580,762)	
Differences between expected and actual experience in the measurement of the total pension liability.	(2,345,014)	
Changes of assumptions	(508,628)	
Total Deferred Inflows of Resources Related to Pensions		(6,434,404)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(177,649,507)
Deferred amounts on refunding (the difference between the reaquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.		377,007

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2018

Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	$ 65,403,441	
Bond anticipation notes	48,125,140	
Bond premiums	3,276,542	
Compensated absences	1,502,855	
Net other postemployment benefits (OPEB) liability	31,557,830	
Total long-term obligations		$ (149,865,808)
Total Net Position - Governmental Activities		**$ 45,457,498**

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

SALINAS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	$ 148,411,717	$ -
Federal sources	10,507,279	-
Other state sources	15,555,406	-
Other local sources	7,913,484	741,984
Total Revenues	182,387,886	741,984
EXPENDITURES		
Current		
Instruction	104,363,676	-
Instruction-related activities:		
Supervision of instruction	15,912,334	-
Instructional library, media and technology	1,048,735	-
School site administration	10,061,294	-
Pupil Services:		
Home-to-school transportation	6,482,391	-
Food services	57,988	-
All other pupil services	16,143,178	-
General administration:		
Data processing	2,576,568	-
All other general administration	5,625,022	-
Plant services	16,927,131	3,125
Ancillary services	916,404	-
Community services	50,835	-
Other outgo	2,933,759	-
Facility acquisition and construction	1,621,833	40,027,316
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	184,721,148	40,030,441
NET CHANGE IN FUND BALANCES	(2,333,262)	(39,288,457)
Fund Balance - Beginning	54,514,848	72,894,335
Fund Balance - Ending	$ 52,181,586	$ 33,605,878

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

Non-Major Governmental Funds	Total Governmental Funds
$ 1,428,811	$ 149,840,528
4,283,611	14,790,890
2,007,940	17,563,346
15,187,634	23,843,102
22,907,996	206,037,866
1,653,778	106,017,454
460,144	16,372,478
-	1,048,735
332,710	10,394,004
-	6,482,391
5,859,618	5,917,606
198,489	16,341,667
-	2,576,568
471,513	6,096,535
557,748	17,488,004
-	916,404
-	50,835
-	2,933,759
2,247,145	43,896,294
12,260,000	12,260,000
2,378,696	2,378,696
26,419,841	251,171,430
(3,511,845)	(45,133,564)
27,407,842	154,817,025
$ 23,895,997	$ 109,683,461

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (45,133,564)**
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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	$ 44,584,552	
Depreciation expense	(6,871,975)	
Net Expense Adjustment		37,712,577
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of additional accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds.		(1,122,942)
In the Statement of Activities, compensated absences (vacations and compensation time), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences earned was more than the amounts used by $356,422.		(356,422)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(8,037,673)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(3,748,351)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. Discount amortization during the year was:		
Amortization of premiums	$	159,643
Amortization of deferred amount on refunding		(29,001)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		12,260,000
Change in Net Position of Governmental Activities	**$**	**(8,295,733)**

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

SALINAS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Private-Purpose Trust Scholarships	Agency Student Body
ASSETS		
Deposits and investments	$ 239,673	$ 1,244,164
Receivables	722	-
Total Assets	$ 240,395	$ 1,244,164
LIABILITIES		
Accounts payable	$ 21,700	$ -
Due to student groups	-	1,244,164
Total Liabilities	21,700	$ 1,244,164
NET POSITION		
Restricted for scholarships	$ 218,695	

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

SALINAS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust Scholarships
ADDITIONS	
Contributions	$ 56,428
Interest	2,746
Total Additions	59,174
DEDUCTIONS	
Scholarships awarded	54,150
Change in Net Position	5,024
Net Position - Beginning	213,671
Net Position - Ending	$ 218,695

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Salinas Union High School District (the District) was established in 1868 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 7 - 12 as mandated by the State and/or Federal agencies. The District currently operates four middle schools and four high schools as well as one continuation high school, one alternative school of choice, one adult school, one community day school and a regional occupational program, for a total of thirteen 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 Salinas Union High School District, this includes general operations, food service, and student related activities of the District.

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 two broad fund categories: governmental 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.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Outlay Fund, and Fund 20, Special Reserve Postemployment Benefits Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $28,480,170.

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.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

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).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of 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).

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 two classifications: 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.

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 fund is the Scholarship Private Purpose 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 of the District and for each governmental function, and exclude 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 position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their 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 balances 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.

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.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized and for debt refunding.

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

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

Investments

Investments held at June 30, 2018, 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 (Expenses)

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 when incurred.

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 $5,000. 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 position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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

Interfund Balances

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

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 statement of net position.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Debt Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Debt premiums are amortized over the life of the debt using the straight-line method.

In governmental fund financial statements, debt premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2018, 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.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or manager of business services may assign amounts for specific purposes.

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.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets 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 position is 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 position is available. The government-wide financial statements report $25,375,754 of restricted net position.

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.

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and

- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 122,834,129
Less overdrafts	821,351
Net governmental activities	122,012,778
Fiduciary funds	1,483,837
Total Deposits and Investments	$ 123,496,615

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 1,451,857
Cash in revolving	21,600
Investments	122,023,158
Total Deposits and Investments	$ 123,496,615

The Adult Education Fund ended the fiscal year with a deficit cash in county balance of $821,351.

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.

General Authorizations

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

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

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 121,882,831	$ -	$ 121,882,831	$ -	$ -

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 agency. 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, 2018, $1,114,311 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Monterey County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consist of intergovernmental grants, entitlements, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Federal Government					
Categorical aid	$ 3,917,293	$ -	$ 581,485	$ 4,498,778	$ -
State Government					
State grants and entitlements	647,107	-	165,417	812,524	-
Local Sources	849,182	131,813	24,096	1,005,091	722
Total	$ 5,413,582	$ 131,813	$ 770,998	$ 6,316,393	$ 722

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 33,659,214	$ -	$ -	$ 33,659,214
Construction in progress	33,687,639	43,401,217	13,749	77,075,107
Total Capital Assets Not Being Depreciated	67,346,853	43,401,217	13,749	110,734,321
Capital Assets being depreciated				
Land improvements	37,349,866	5,900	-	37,355,766
Buildings and improvements	194,550,888	465,784	-	195,016,672
Furniture and equipment	13,204,837	725,400	-	13,930,237
Total Capital Assets Being Depreciated	245,105,591	1,197,084	-	246,302,675
Less Accumulated Depreciation				
Land improvements	30,020,639	941,215	-	30,961,854
Buildings and improvements	103,825,429	4,998,118	-	108,823,547
Furniture and equipment	8,209,864	932,642	-	9,142,506
Total Accumulated Depreciation	142,055,932	6,871,975	-	148,927,907
Governmental Activities Capital Assets, Net	$ 170,396,512	$ 37,726,326	$ 13,749	$ 208,109,089

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,092,388
School site administration	274,879
Home-to-school transportation	1,236,956
Food services	549,758
Data processing	343,599
All other general administration	68,720
Plant services	1,305,675
Total Depreciation Expense Governmental Activities	$ 6,871,975

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	$ 457,576	$ 838,823
Building	769,487	-
Total Major Governmental Funds	1,227,063	838,823
Non-Major Governmental Funds		
Adult Education	838,823	160,740
Cafeteria	-	1,044,702
Special Reserve Capital Outlay	-	21,621
Total Non-Major Governmental Funds	838,823	1,227,063
Total All Governmental Funds	$ 2,065,886	$ 2,065,886

The General Fund owes the Adult Education Non-Major Governmental Fund to contribute to program operations.	$ 838,823
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.	160,740
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	275,215
The Cafeteria Non-Major Governmental Fund owes the Building Fund for cafeteria equipment expenditures.	769,487
The Special Reserve Capital Outlay Non-Major Governmental Fund owes the General Fund for capital project costs.	21,621
Total	$ 2,065,886

NOTE 7 - PREPAID EXPENDITURES (EXPENSES)

Prepaid expenditures (expenses) at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Conferences and lodging	$ 51,425	$ -	$ 51,425
Maintenance agreement	-	37,794	37,794
Health permit fees	-	7,692	7,692
Total	$ 51,425	$ 45,486	$ 96,911

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Vendor payables	$ 2,606,695	$ 2,579,175	$ 86,297	$ 5,272,167	$ 21,700
Deferred payroll	5,379,870	-	96,800	5,476,670	-
State apportionment	2,065,783	-	-	2,065,783	-
Health insurance	741,938	-	-	741,938	-
Total	$ 10,794,286	$ 2,579,175	$ 183,097	$ 13,556,558	$ 21,700

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 159,443	$ -	$ 159,443
State categorical aid	3,816,054	-	3,816,054
Local assistance	1,192,548	23,390	1,215,938
Total	$ 5,168,045	$ 23,390	$ 5,191,435

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2017, as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 77,047,184	$ 616,257	$ 12,260,000	$ 65,403,441	$ 8,815,000
Bond anticipation notes	47,618,455	506,685	-	48,125,140	-
Bond premiums	3,436,185	-	159,643	3,276,542	-
Compensated absences	1,146,433	356,422	-	1,502,855	-
Net other postemployment benefits (OPEB) liability	27,809,479	3,748,351	-	31,557,830	-
Total	$ 157,057,736	$ 5,227,715	$ 12,419,643	$149,865,808	$ 8,815,000

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund with local tax revenue. The bond anticipation notes are expected to be made from the proceeds of the future sale of bonds. Payments on the compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

Bonded Debt

2002 Election, Series A General Obligation Bonds, Measure M

On April 10, 2003, the District issued Series A General Obligation Bonds, under Measure M, in the amount of $28,498,928 to finance the construction, rehabilitation and equipment of certain Improvement District facilities, or the acquisition or lease of real property for school facilities within the Improvement District. The General Obligation Bonds are authorized pursuant to the special election of the registered voters held on November 5, 2002, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds were issued as current interest and capital appreciation bonds.

2002 Election, 2006 Refunding Series A General Obligation Bonds, Measure M

On August 29, 2006, the District issued 2006 Refunding Series A General Obligation Bonds, under Measure M, in the amount of $18,222,866 to partially refund the previously issued Measure M Series A issuance. The bonds were issued as capital appreciation bonds.

2014 Election, Series A General Obligation Bonds, Measure B

On November 3, 2015, the District issued $44,995,149 of Election of 2014, Series A, General Obligation Bonds. The Series A bonds were authorized at an election held on November 4, 2014, which authorized the issuance of $128,000,000 principal amount of general obligation bonds to repair, upgrade, acquire, construct and equip certain District property and facilities, and to pay the cost of issuing the bonds. The Series A Bonds are the first series of bonds to be issued under this authorization. The Bonds were issued as current interest bonds and capital appreciation bonds. Interest on the current interest bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2016.

General Obligation Refunding Bonds, Series 2017

On February 16, 2017, the District issued $22,540,000 of Series 2017 General Obligation Refunding Bonds. The bonds were issued for the purpose of refunding the remaining outstanding principal balance of the District's 2002 Election Series B and C General Obligation Bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing August 1, 2017.

The outstanding general obligation bonded debt is as follows:

Bond Issue	Issue Date	Maturity Year	Interest Rate %	Bonds Outstanding July 1, 2017	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2018
Measure M							
Series A	4/10/03	2028	5.50-5.60	$ 9,931,901	$ 567,895	$ -	$ 10,499,796
Refunding Series A	8/29/06	2018	3.71-4.46	3,160,000	-	3,160,000	-
Measure B							
Series A	11/3/15	2050	2.00-4.58	41,415,283	48,362	3,300,000	38,163,645
Series 2017	2/16/17	2031	3.00-5.00	22,540,000	-	5,800,000	16,740,000
Total				$ 77,047,184	$ 616,257	$ 12,260,000	$ 65,403,441

Debt Service Requirements to Maturity

The bonds mature as follows:

2002 Election, Series A Capital Appreciation Bonds, Measure M

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2024	$ 2,199,524	$ 685,476	$ 2,885,000
2025	2,146,820	843,180	2,990,000
2026	2,095,315	999,685	3,095,000
2027	2,051,832	1,158,168	3,210,000
2028	2,006,305	1,318,695	3,325,000
Total	$ 10,499,796	$ 5,005,204	$ 15,505,000

2014 Election Series A Current Interest Bonds, Measure B

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 2,700,000	$ 1,512,650	$ 4,212,650
2020	2,980,000	1,384,150	4,364,150
2021	3,305,000	1,227,025	4,532,025
2022	-	1,144,400	1,144,400
2023	-	1,144,400	1,144,400
2024-2028	-	5,722,000	5,722,000
2029-2033	-	5,722,000	5,722,000
2034-2038	1,895,000	5,630,375	7,525,375
2039-2043	7,280,000	4,451,125	11,731,125
2044-2048	11,740,000	2,505,000	14,245,000
2049-2050	6,250,000	255,000	6,505,000
Total	$ 36,150,000	$ 30,698,125	$ 66,848,125

2014 Election Series A Capital Appreciation Bonds, Measure B

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2031	$ 283,544	$ 176,456	$ 460,000
2032	305,760	219,240	525,000
2033	326,506	263,494	590,000
2034	347,160	312,840	660,000
2035	367,059	367,941	735,000
2036	383,616	426,384	810,000
Total	$ 2,013,645	$ 1,766,355	$ 3,780,000

General Obligation Refunding Bonds, Series 2017

Fiscal Year	Principal	Maturity	Total
2019	$ 6,115,000	$ 616,000	$ 6,731,000
2020	1,095,000	435,750	1,530,750
2021	605,000	393,250	998,250
2022	630,000	362,375	992,375
2023	665,000	330,000	995,000
2024-2028	3,860,000	1,103,625	4,963,625
2029-2031	3,770,000	235,122	4,005,122
Total	$ 16,740,000	$ 3,476,122	$ 20,216,122

Bond Anticipation Notes

On November 3, 2015, the District issued $44,998,099 of General Obligation Bond Anticipation Notes. The notes were issued to repair, upgrade, acquire, construct and equip certain District property and facilities in anticipation of proceeds from general obligation bonds to be issued pursuant to a duly called election of the registered voters of the District held on November 4, 2014, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of $128,000,000 principal amount of general obligation bonds of the District. The Notes were issued as capital appreciation notes with an accretion rate of 2.12 percent. The capital appreciation notes accrete interest from their date of delivery, compounded semiannually on August 1 and February 1 of each year, commencing on February 1, 2016.

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2021	$ 48,125,140	$ 1,549,860	$ 49,675,000

Compensated Absences

The long-term portion of accumulated compensated absences for the District at June 30, 2018, amounted to $1,502,855.

Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	OPEB Expense
District Plan	$ 30,450,511	$ 5,080,612
Medicare Premium Payment (MPP) Program	1,107,319	(19,237)
Total	$ 31,557,830	$ 5,061,375

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	65
Active employees	1,306
Total	1,371

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Salinas Valley Federation of Teachers (SVFT), 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 with the District, SVFT, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $1,313,024 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $30,450,511 was measured as of June 30, 2018, determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.8 percent
Healthcare cost trend rates	4.0 percent for 2018 and thereafter

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 26,682,923
Service cost	4,017,377
Interest	1,063,235
Benefit payments	(1,313,024)
Net change in total OPEB liability	3,767,588
Balance at June 30, 2018	$ 30,450,511

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.8%)	$ 32,520,666
Current discount rate (3.8%)	30,450,511
1% increase (4.8%)	28,536,179

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Health Care Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 28,952,659
Current healthcare cost trend rate (4.0%)	30,450,511
1% increase (5.0%)	31,730,963

OPEB Expense related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $5,080,612.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of $1,107,319 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.2632 percent, and 0.2407 percent, resulting in a net increase in the proportionate share of 0.0225 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(19,237).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 1,225,879
Current discount rate (3.58%)	1,107,319
1% increase (4.58%)	991,994

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,000,632
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,107,319
1% increase (4.7% Part A and 5.1% Part B)	1,212,940

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 21,600	$ -	$ -	$ 21,600
Stores inventories	-	-	5,372	5,372
Prepaid expenditures	51,425	-	45,486	96,911
Total Nonspendable	73,025	-	50,858	123,883
Restricted				
Legally restricted programs	2,979,306	-	9,089,682	12,068,988
Capital projects	-	33,605,878	2,003,017	35,608,895
Debt service	-	-	11,252,891	11,252,891
Total Restricted	2,979,306	33,605,878	22,345,590	58,930,774
Committed				
Adult education programs	-	-	18,175	18,175
Deferred maintenance program	-	-	1,427,652	1,427,652
Total Committed	-	-	1,445,827	1,445,827
Assigned				
Postemployment benefits	11,773,630	-	-	11,773,630
Construction/Tech projects	15,708,764	-	-	15,708,764
Rancho San Juan High School	505,000	-	-	505,000
Board one percent reserve	1,847,211	-	-	1,847,211
Site formula fund carryover	156,628	-	-	156,628
Supplemental/concentration carryover	2,917,985	-	-	2,917,985
Capital projects	-	-	53,722	53,722
Total Assigned	32,909,218	-	53,722	32,962,940
Unassigned				
Reserve for economic uncertainties	5,541,634	-	-	5,541,634
Remaining unassigned	10,678,403	-	-	10,678,403
Total Unassigned	16,220,037	-	-	16,220,037
Total	$ 52,181,586	$ 33,605,878	$ 23,895,997	$ 109,683,461

NOTE 12 - 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, 2018, the District contracted with the Monterey and San Benito Counties Liability/Property JPA for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District participated in the Monterey Educational Risk Management Authority (MERMA), an insurance purchasing pool. The intent of the MERMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the MERMA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERMA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MERMA.

Employee Medical Benefits

The District has contracted with the Monterey County Schools Insurance Group to provide employee health benefits for management, confidential, and supervisory groups. Health benefits for classified employees are provided through participation in California's Valued Trust, and for certificated employees through participation in the Monterey Bay Public Employees Trust. The District pays a monthly contribution to each entity, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 134,449,398	$ 46,695,158	$ 5,925,776	$ 15,099,330
CalPERS	43,200,109	14,542,502	508,628	8,699,114
Total	$ 177,649,507	$ 61,237,660	$ 6,434,404	$ 23,798,444

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $11,890,428.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 134,449,398
State's proportionate share of the net pension liability associated with the District	79,539,128
Total	$ 213,988,526

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1454 percent and 0.1353 percent, resulting in a net increase in the proportionate share of 0.0100 percent.

For the year ended June 30, 2018, the District recognized pension expense of $15,099,330. In addition, the District recognized pension expense and revenue of $8,006,377 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,890,428	$ -
Net change in proportionate share of net pension liability	9,399,202	-
Difference between projected and actual earnings on pension plan investments	-	3,580,762
Differences between expected and actual experience in the measurement of the total pension liability	497,207	2,345,014
Changes of assumptions	24,908,321	-
Total	$ 46,695,158	$ 5,925,776

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	$ (2,976,821)
2020	2,252,574
2021	324,808
2022	(3,181,323)
Total	$ (3,580,762)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 5,478,339
2020	5,478,339
2021	5,478,339
2022	5,478,343
2023	5,216,343
Thereafter	5,330,013
Total	$ 32,459,716

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 197,414,401
Current discount rate (7.10%)	134,449,398
1% increase (8.10%)	83,349,032

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $3,870,343.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $43,200,109. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1810 percent and 0.1753 percent, resulting in a net increase in the proportionate share of 0.0057 percent.

For the year ended June 30, 2018, the District recognized pension expense of $8,699,114. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,870,343	$ -
Net change in proportionate share of net pension liability	1,319,995	-
Difference between projected and actual earnings on pension plan investments	1,494,428	-
Differences between expected and actual experience in the measurement of the total pension liability	1,547,681	-
Changes of assumptions	6,310,055	508,628
Total	$ 14,542,502	$ 508,628

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ (40,494)
2020	1,724,245
2021	629,024
2022	(818,347)
Total	$ 1,494,428

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 3,347,302
2020	2,923,067
2021	2,398,734
Total	$ 8,669,103

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 63,561,205
Current discount rate (7.15%)	43,200,109
1% increase (8.15%)	26,308,876

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 Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $6,270,799 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

NOTE 14 - 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, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
New high school	$ 17,585,210	July 2019
New middle school design	7,106	October 2019
ROP welding	23,740	October 2019
Mt. Toro High School MPR/CDC building	3,405,651	July 2019
Mission Trails CTE	2,478,971	February 2019
EAHS turf	730,725	September 2019
WMS roof	806,638	September 2019
Solar structures	49,882	October 2019
Total	$ 25,087,923	

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Monterey County Schools Insurance Group (MCSIG), Monterey Educational Risk Management Authority (MERMA), and Monterey and San Benito Counties Liability/Property (MSBCLP) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have 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. Audited financial statements are generally available from the respective entities.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 64,293,875
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(10,540,644)
Net Position - Beginning as Restated	$ 53,753,231

REQUIRED SUPPLEMENTARY INFORMATION

SALINAS UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$147,337,531	$148,141,227	$148,411,717	$ 270,490
Federal sources	10,850,549	11,997,064	10,507,279	(1,489,785)
Other state sources	12,219,005	19,141,858	15,555,406	(3,586,452)
Other local sources	7,749,652	8,437,787	7,913,484	(524,303)
Total Revenues [1]	178,156,737	187,717,936	182,387,886	(5,330,050)
EXPENDITURES				
Current				
Certificated Salaries	82,131,016	83,251,631	82,783,011	468,620
Classified salaries	24,396,475	24,501,145	24,289,598	211,547
Employee benefits	46,571,471	45,948,999	44,513,914	1,435,085
Books and supplies	10,197,027	10,857,852	8,827,767	2,030,085
Services and operating expenditures	19,673,614	21,894,266	19,399,361	2,494,905
Other outgo	2,487,472	2,444,684	2,476,528	(31,844)
Capital outlay	4,619,175	5,892,690	2,430,969	3,461,721
Total Expenditures [1]	190,076,250	194,791,267	184,721,148	10,070,119
Excess (Deficiency) of Revenues Over Expenditures	(11,919,513)	(7,073,331)	(2,333,262)	4,740,069
Other Financing Sources:				
Transfers in	3,440,834	502,734	-	(502,734)
NET CHANGE IN FUND BALANCES	(8,478,679)	(6,570,597)	(2,333,262)	4,237,335
Fund Balance - Beginning	54,514,848	54,514,848	54,514,848	-
Fund Balance - Ending	$ 46,036,169	$ 47,944,251	$ 52,181,586	$ 4,237,335

[1] Due to the consolidation of Fund 17, Special Reserve Non-Capital Fund and Fund 20, Special Reserve Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 4,017,377
Interest	1,063,235
Benefit payments	(1,313,024)
Net change in total OPEB liability	3,767,588
Total OPEB liability - beginning	26,682,923
Total OPEB liability - ending	$ 30,450,511
Covered payroll	N/A [1]
District's total OPEB liability as a percentage of covered payroll	N/A [1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.2632%
District's proportionate share of the net OPEB liability	$ 1,107,319
District's covered-employee payroll	N/A [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1454%	0.1353%
District's proportionate share of the net pension liability	$ 134,449,398	$ 109,469,030
State's proportionate share of the net pension liability associated with the District	79,539,128	62,318,766
Total	$ 213,988,526	$ 171,787,796
District's covered - employee payroll	$ 75,270,803	$ 71,874,511
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	178.62%	152.31%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1810%	0.1753%
District's proportionate share of the net pension liability	$ 43,200,109	$ 34,612,494
District's covered - employee payroll	$ 23,423,488	$ 21,679,885
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	184.43%	159.65%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
0.1340%	0.1289%
$ 90,245,333	$ 75,329,929
47,729,833	45,487,463
$ 137,975,166	$ 120,817,392
$ 64,640,450	$ 57,415,952
139.61%	131.20%
74%	77%
0.1727%	0.1604%
$ 25,453,861	$ 18,213,483
$ 18,951,890	$ 16,841,863
134.31%	108.14%
79%	83%

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 11,890,428	$ 9,469,067
Contributions in relation to the contractually required contribution	11,890,428	9,469,067
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 82,400,748	$ 75,270,803
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 3,870,343	$ 3,253,054
Contributions in relation to the contractually required contribution	3,870,343	3,253,054
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 24,920,115	$ 23,423,488
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

	2016	2015
	$ 7,712,135	$ 5,740,072
	7,712,135	5,740,072
	$ -	$ -
	$ 71,874,511	$ 64,640,450
	10.73%	8.88%
	$ 2,568,416	$ 2,230,827
	2,568,416	2,230,827
	$ -	$ -
	$ 21,679,885	$ 18,951,890
	11.847%	11.771%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions **-** The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Naval Junior ROTC	[1]	N/A	$ 22,366
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Title I, Part A, Basic	84.010	14329	4,178,711
Title I, Part C, Migrant Education - Regular	84.011	14326	2,158,852
Title I, Part C, Migrant Education - Summer	84.011	10005	201,199
Title I, Part G, AP Fee Reimbursement	84.330	14831	11,945
Title II - Part A, Supporting Effective Instruction	84.367	14341	301,184
Title III - English Language Acquisition - IEP	84.365	15146	36,733
Title III - English Language Acquisition - LEP	84.365	14346	326,034
Adult Basic Education, ESL	84.002A	14508	222,215
English Literacy and Civics	84.002A	14109	101,622
Adult Secondary Education	84.002	13978	109,612
Institutionalized Adults	84.002	13971	4,751
Department of Rehabilitation: Workability II	84.126	10006	108,103
Technology Secondary IIC, Section 131	84.048	14894	294,479
Special Education, Basic Local Assistance	84.027	13379	2,120,625
Special Education, Private School	84.027	10115	9,063
Total U.S. Department of Education			10,185,128
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	145,090
Medi-Cal Administrative Activities	93.778	10060	592,895
Total U.S. Department of Health and Human Services			737,985
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	2,502,828
Especially Needy Breakfast	10.553	13526	824,168
Meals Supplements - Snack	10.555	13391	198,585
Food Distribution - Commodities	10.555	13391	319,830
Subtotal Child Nutrition Cluster			3,845,411
Total U.S. Department of Agriculture			3,845,411
Total Expenditures of Federal Awards			$ 14,790,890

[1] Catalog number not available

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Salinas Union High School District was established in 1868. The District, a political subdivision of the State of California, is located in Monterey County. The District currently operates four middle schools and four high schools as well as one continuation high school, one alternative school of choice, one adult school, one community day school and a regional occupational program, for a total of thirteen schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Patty Padilla-Salsberg	President	2020
Phillip Tabera	Vice President	2018
Sandra Ocampo	Clerk	2020
Lila Cann	Member	2018
Evamarie Martinez	Member	2018
Kathryn Ramirez	Member	2020
Carlos Rubio	Member	2018

ADMINISTRATION

Dan Burns	Superintendent
Dr. Blanca Baltazar-Sabbah	Associate Superintendent, Instructional Services
Ana Aguillon	Manager of Business Services/CBO
TBD	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	4,551.84	4,549.91
Ninth through twelfth	10,053.63	9,986.44
Total Regular ADA	14,605.47	14,536.35
Extended Year Special Education		
Seventh and eighth	0.27	2.33
Ninth through twelfth	1.04	11.44
Total Extended Year Special Education	1.31	13.77
Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.91	0.72
Ninth through twelfth	3.53	5.01
Total Special Education, Nonpublic, Nonsectarian Schools	4.44	5.73
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.09	0.09
Ninth through twelfth	0.75	0.95
Total Extended Year Special Education - Nonpublic, Nonsectarian Schools	0.84	1.04
Community Day School		
Seventh and eighth	1.63	2.33
Ninth through twelfth	12.60	12.43
Total Community Day School	14.23	14.76
Total ADA	14,626.29	14,571.65

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-1987 Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000				
Grade 7		61,607	180	N/A	Complied
Grade 8		61,607	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,110	180	N/A	Complied
Grade 10		65,110	180	N/A	Complied
Grade 11		65,110	180	N/A	Complied
Grade 12		65,110	180	N/A	Complied

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1, 3]	2018 [3]	2017 [3]	2016 [3]
GENERAL FUND				
Revenues	$203,230,554	$182,074,114	$174,250,344	$167,374,042
Other sources and transfers in	3,200,000	492,776	176,996	3,411,395
Total Revenues and Other Sources	206,430,554	182,566,890	174,427,340	170,785,437
Expenditures	207,164,397	184,721,148	172,291,101	162,793,880
Other uses and transfers out	-	-	-	505,000
Total Expenditures and Other Uses	207,164,397	184,721,148	172,291,101	163,298,880
INCREASE/(DECREASE) IN FUND BALANCE	$ (733,843)	$ (2,154,258)	$ 2,136,239	$ 7,486,557
ENDING FUND BALANCE	$ 23,460,349	$ 24,194,192	$ 26,348,450	$ 24,212,211
AVAILABLE RESERVES [2]	$ 16,708,857	$ 16,220,037	$ 16,199,539	$ 14,048,350
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	8.07%	8.78%	9.40%	8.60%
LONG-TERM OBLIGATIONS [4]	Not Available	$149,865,808	$157,057,736	$147,347,999
AVERAGE DAILY ATTENDANCE AT P-2	15,069	14,626	14,273	13,868

The General Fund balance has decreased by $18,019 over the past two years. The fiscal year 2018-2019 budget projects a further decrease of $733,843 (3.03 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $2,517,809 over the past two years.

Average daily attendance has increased by 758 over the past two years. Additional growth of 443 ADA is anticipated during fiscal year 2018-2019.

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1 Budget 2019 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 within the General Fund.

3 General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Outlay Fund and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

4 The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 3,310	$ 9,720,433	$ 1,422,090
Receivables	268,945	488,200	5,562
Due from other funds	838,823	-	-
Prepaid expenses	-	45,486	-
Stores inventories	-	5,372	-
Total Assets	$ 1,111,078	$ 10,259,491	$ 1,427,652
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ 821,351	$ -	$ -
Accounts payable	87,422	74,249	-
Due to other funds	160,740	1,044,702	-
Unearned revenue	23,390	-	-
Total Liabilities	1,092,903	1,118,951	-
Fund Balances:			
Nonspendable	-	50,858	-
Restricted	-	9,089,682	-
Committed	18,175	-	1,427,652
Assigned	-	-	-
Total Fund Balances	18,175	9,140,540	1,427,652
Total Liabilities and Fund Balances	$ 1,111,078	$ 10,259,491	$ 1,427,652

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 2,015,423	$ 76,072	$ 11,252,891	$ 24,490,219
8,042	249	-	770,998
-	-	-	838,823
-	-	-	45,486
-	-	-	5,372
$ 2,023,465	$ 76,321	$ 11,252,891	$ 26,150,898
$ -	$ -	$ -	$ 821,351
20,448	978	-	183,097
-	21,621	-	1,227,063
-	-	-	23,390
20,448	22,599	-	2,254,901
-	-	-	50,858
2,003,017	-	11,252,891	22,345,590
-	-	-	1,445,827
-	53,722	-	53,722
2,003,017	53,722	11,252,891	23,895,997
$ 2,023,465	$ 76,321	$ 11,252,891	$ 26,150,898

SALINAS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	$ 828,811	$ -	$ 600,000
Federal sources	438,200	3,845,411	-
Other state sources	1,669,029	265,614	-
Other local sources	233,708	2,386,486	726,483
Total Revenues	3,169,748	6,497,511	1,326,483
EXPENDITURES			
Current			
Instruction	1,653,778	-	-
Instruction-related activities:			
Supervision of instruction	460,144	-	-
School site administration	332,710	-	-
Pupil Services:			
Food services	-	5,859,618	-
All other pupil services	198,489	-	-
General administration:			
All other general administration	160,679	296,552	-
Plant services	345,773	208,188	-
Facility acquisition and construction	-	812,910	1,370,281
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	3,151,573	7,177,268	1,370,281
NET CHANGE IN FUND BALANCES	18,175	(679,757)	(43,798)
Fund Balance - Beginning	-	9,820,297	1,471,450
Fund Balance - Ending	$ 18,175	$ 9,140,540	$ 1,427,652

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 1,428,811
-	-	-	4,283,611
-	-	73,297	2,007,940
866,056	4,007	10,970,894	15,187,634
866,056	4,007	11,044,191	22,907,996
-	-	-	1,653,778
-	-	-	460,144
-	-	-	332,710
-	-	-	5,859,618
-	-	-	198,489
14,282	-	-	471,513
-	3,787	-	557,748
35,849	28,105	-	2,247,145
-	-	12,260,000	12,260,000
-	-	2,378,696	2,378,696
50,131	31,892	14,638,696	26,419,841
815,925	(27,885)	(3,594,505)	(3,511,845)
1,187,092	81,607	14,847,396	27,407,842
$ 2,003,017	$ 53,722	$ 11,252,891	$ 23,895,997

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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 the 1986-1987 requirements 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.

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

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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
Salinas Union High School District
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Salinas Union High School District's basic financial statements, and have issued our report thereon dated December 12, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salinas Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Salinas Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Salinas Union High School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salinas Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we reported to management of Salinas Union High School District in a separate letter dated December 12, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 12, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Salinas Union High School District
Salinas, California

Report on Compliance for Each Major Federal Program

We have audited Salinas Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Salinas Union High School District's major Federal programs for the year ended June 30, 2018. Salinas Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salinas Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Salinas Union High 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Salinas Union High School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Salinas Union High School District complied, in all material respects, with the types of 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, 2018.

Report on Internal Control Over Compliance

Management of Salinas Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salinas Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Salinas Union High School District's internal control 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 12, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Salinas Union High School District
Salinas, California

Report on State Compliance

We have audited Salinas Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Salinas Union High School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Salinas Union High School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards 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 Salinas Union High 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 Salinas Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Salinas Union High 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, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	No (see below)
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District does not provide classes for grades K-3; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

The District does not offer an apprenticeship program; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 12, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SALINAS UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SALINAS UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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.

State Awards Findings and Questioned Costs

2017-001 40000

Immunizations

Criteria or Specific Requirement

Pursuant to Title 17, California Code of Regulations Section 6020, each pupil is required to have obtained a Tdap dose prior to admission into 7th Grade, as noted on the supplemental sticker form Tdap (Pertussis Booster) Requirement (PM 286S) or in another manner.

Condition

During our examination of schools identified within the District that did not report immunization assessment reports for 7th Grade, we discovered six pupils at three sites had not received the required Tdap (Pertussis Booster) dose prior to admission into 7th Grade.

Question Costs

This resulted in a questioned costs of $12,213. The questioned cost was determined by recalculating the District's LCFF funding using the corrected ADA totals and comparing the results with our original calculation.

Context

The condition identified was determined through review of immunization records from Harden, La Paz, and Washington middle schools. The auditor reviewed a sample of immunization records drawn from the entire 7th Grade pupil population and discovered exceptions to the immunization requirement where six pupils did not obtain the required Tdap (Pertussis Booster) dose prior to admission into 7th Grade.

Effect

As a result of our testing, the District was not in compliance with Title 17, California Code of Regulations Section 6020 and therefore, 1.71 ADA and 1.52 ADA is disallowed for the Second Period and Annual Reports of Attendance, respectively, for the 2016-2017 school year.

Cause

The condition identified was a result of the site not consistently ensuring 7th Grade pupils received the appropriate vaccinations prior to admission or within the timeframe mentioned.

Recommendation

The District should revise their Second Period and Annual Reports of Attendance to exclude the 1.71 and 1.52 disallowed ADAs. Additionally, the District should strive to improve implemented procedures requiring site personnel to verify incoming pupils have obtained the required immunization vaccines. The District should communicate to the sites the importance of following the established procedures to ensure compliance with program requirements.

Current Status

Implemented.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
Salinas Union High School District
Salinas, California

In planning and performing our audit of the financial statements of Salinas Union High School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2018, on the government-wide financial statements of the District.

ALISAL HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit, we found that deposits are not always made timely to the bookkeeper by teachers/advisors. There were several instances where funds were collected in July and August but were not deposited to the bookkeeper until November. This can result in large cash balances being maintained by individuals where there is a greater chance of theft or the funds being lost or misplaced.

Recommendation

Teachers/advisors should, at a minimum, make their deposits once a week to the ASB bookkeeper in order to minimize the amount of cash held. During weeks of high cash activity, there may be a need to make more than one deposit.

Inventory

Observation

During our audit, we found that quarterly inventory is being performed for the student store but there is nothing for the bookkeeper to compare those amounts to. During the inventory count, the bookkeeper knows how much is on hand but does not know how much should be on hand.

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Recommendation

Quarterly inventory should be performed under the supervision of the bookkeeper and the amounts on hand should be compared to what should be on hand. The amount that should be on hand can be derived from the last "daily inventory" of the period as long as all inventory changes (sales and purchases) are properly accounted for.

Further information can be found in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org.

EL SAUSAL MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit, we found that deposits are not always made timely to the bookkeeper by teachers/advisors. In one instance an advisor held gate and concession funds for over 30 days. This can result in large cash balances being maintained by individuals where there is a greater chance of theft or the funds being lost or misplaced.

Recommendation

Teachers/advisors should, at a minimum, make their deposits once a week to the ASB bookkeeper in order to minimize the amount of cash held. During weeks of high cash activity, there may be a need to make more than one deposit.

Disbursements

Observation

During our audit, we found that six out of ten requisitions/reimbursement requests tested were dated after the date on the invoice. This would indicate that items are being purchased prior to their approval.

Recommendation

The site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org. All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. Each approving signature should be dated by the signer. In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased.

EVERETT ALVAREZ HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Disbursements

Observation

This is a repeat finding. During our audit, we found that student body disbursements are still not always adequately supported by evidence of an invoice or receipt. Without the control document of an invoice or receipt, payments for unallowable expenditures or payment of services and items that have not been received may occur. This is a repeat finding.

Recommendation

The site has since implemented procedures that require an explanation from any teacher/advisor as to why supporting documentation such as a receipt is not available prior to making any payments.

Observation

This is a repeat finding. During our audit, we found that disbursements still do not always contain the proper approval signatures.

Recommendation

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. The site should not make payments until the signatures are obtained.

Revenue Potentials

Observation

This is a repeat finding. During our audit, we found that revenue potentials are still not being prepared by individual ASB clubs.

Recommendation

The site should implement procedures in which all revenue potential forms are completed in full by ASB clubs. The revenue potential should be started before the fundraiser begins and completed after the event. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The revenue potential form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

Budgeting

Observation

This is a repeat finding. During our audit, we found that budgets are still not being prepared by all student body organizations. The general student council and each individual club needs to develop a budget including their annual goals and plans for achieving those goals.

Recommendation

Budgets should be prepared to control and monitor the financial activities of student body organizations. The ASB should prepare a budget at the beginning of the school year. Some aspects that should be included are:

- Updates will be necessary to the budget as circumstances change; the budgeting procedures are an ongoing process.
- The preliminary budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.
- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.
- The budget should be compared regularly to the actual financial activities of the organizations. One reason for this is to ensure that no organization enters into a deficit spending situation during the year.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 12, 2018