Annual Financial Statements
June 30, 2019

Salinas Union High School District

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SALINAS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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, 2019, 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 *2018-2019 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 Entity'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 Entity'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, 2019, 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.

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 69, schedule of changes in the District's total OPEB liability and related ratios on page 70, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 71, schedule of the District's proportionate share of the net pension liability on page 72, and the schedule of District contributions on page 73, 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)* and the other supplementary information 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 15, 2019, 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.

Eide Bailly LLP

Fresno, California
December 15, 2019

This section of Salinas Union High School District's (2018-2019) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, and comparative information for the year ended June 30, 2018. 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 $38.3 million for the fiscal year ended June 30, 2019, and $45.5 million for the fiscal year ended June 30, 2018, a decrease of $7.2 million. Of this amount, $19.2 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		
	2019	2018	Variance
Assets			
Current and other assets	$ 104.5	$ 144.7	$ (40.2)
Capital assets (Net of accumulated depreciation)	250.8	211.9	38.9
Total Assets	355.3	356.6	(1.3)
Deferred Outflows of Resources	61.0	61.6	(0.6)
Liabilities			
Current liabilities	19.2	19.6	(0.4)
Long-term obligations	165.9	169.1	(3.2)
Net pension liability	185.7	177.6	8.1
Total Liabilities	370.8	366.3	4.5
Deferred Inflows of Resources	7.2	6.4	0.8
Net Position			
Net investment in capital assets	148.9	124.9	24.0
Restricted	19.2	25.4	(6.2)
Unrestricted	(129.8)	(104.8)	(25.0)
Total Net Position	$ 38.3	$ 45.5	$ (7.2)

The $38.3 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 $6.2 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		
	2019	2018	Variance
Revenues			
Program revenues:			
Charges for services	$ 2.4	$ 2.1	$ 0.3
Operating grants and contributions	38.2	31.1	7.1
General revenues:			
Federal and State aid not restricted	135.9	121.1	14.8
Property taxes	42.2	45.7	(3.5)
Other general revenues	8.3	7.9	0.4
Total Revenues	227.0	207.9	19.1
Expenses			
Instruction-related	162.7	148.1	14.6
Pupil services	33.4	31.8	1.6
Administration	10.5	9.5	1.0
Plant services	19.0	19.3	(0.3)
Other	8.6	7.5	1.1
Total Expenses	234.2	216.2	18.0
Change in Net Position	$ (7.2)	$ (8.3)	$ 1.1

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $234.2 million, as compared to $216.2 million in the prior year. The amount that our taxpayers financed for these activities through local taxes was $42.2 million because the cost was paid by those who benefited from the programs ($2.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($38.2 million). We paid for the remaining "public benefit" portion of our governmental activities with $135.9 million in unrestricted Federal and State funds and $8.3 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)	2019 Total Cost of Services	2019 Net Cost of Services	2018 Total Cost of Services	2018 Net Cost of Services
Instruction	$ 162.7	$ 134.6	$ 148.1	$ 126.0
Pupil services	33.4	24.0	31.8	24.2
Administration	10.5	9.2	9.5	8.1
Plant services	19.0	18.2	19.3	18.2
All other services	8.6	7.6	7.5	6.5
Total	$ 234.2	$ 193.6	$ 216.2	$ 183.0

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $85.2 million while the prior year reported $125.1 million, which is a decrease of $39.9 million (Table 4).

Table 4

(Dollar amounts in millions)	Balances June 30, 2019	Balances June 30, 2018	Variance
Major Governmental Funds			
General	$ 53.2	$ 67.6	$ (14.4)
Building	15.1	33.6	(18.5)
Non-Major Governmental Funds			
Adult Education	- [1]	- [1]	-
Cafeteria	8.7	9.1	(0.4)
Deferred Maintenance	0.2	1.4	(1.2)
Capital Facilities	1.7	2.0	(0.3)
Special Reserve Capital Projects	0.1	0.1	-
Bond Interest and Redemption	6.2	11.3	(5.1)
Total	$ 85.2	$ 125.1	$ (39.9)

[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 $67.6 million to $53.2 million due primarily to expenditures for the District's solar energy project. The decrease in Building Fund of $18.5 million is primarily due to construction costs for the new high school. The non-major governmental funds decreased by about $7.0 million in total, primarily due to a decrease in the Bond Interest and Redemption Fund in which debt payments exceeded local tax revenues for current required 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 25, 2019. 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 $13.5 million. Although revenues and transfers in were $2.1 million more than expected, expenditures and transfers out were $2.9 million less than expected, resulting in a decrease to the fund of $14.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $211.9 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2019, the District's net capital assets were $250.8 million. This amount represents a net increase (including additions, deductions and depreciation) of $38.9 million from last year (Table 5).

Table 5

(Dollar amounts in millions)	Governmental Activities		
	2019	2018	Variance
Land and construction in process	$ 154.6	$ 114.5	$ 40.1
Land improvements	6.2	6.4	(0.2)
Buildings and improvements	84.3	86.2	(1.9)
Furniture and equipment	5.7	4.8	0.9
Total	$ 250.8	$ 211.9	$ 38.9

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 $165.9 million in obligations outstanding versus $169.1 million last year, a decrease of $3.2 million. The long-term obligations of the District include the following:

Table 6

(Dollar amounts in millions)	Governmental Activities		
	2019	2018	Variance
General obligation bonds	$ 60.3	$ 68.6	$ (8.3)
Bond anticpation notes	49.2	48.1	1.1
Compensated absences	1.6	1.5	0.1
Capital leases	18.6	19.3	(0.7)
Other postemployment benefits	36.2	31.6	4.6
Total	$ 165.9	$ 169.1	$ (3.2)

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)

At year-end, the District has a net pension liability of $185.7 versus $177.6 last year, an increase of $8.1 million, or 4.5 percent. The District also reported deferred outflows of resources from pension activities of $59.9 million, and deferred inflows of resources from pension activities of $7.2 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 concentration grants. Supplemental and Concentration 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 76.20 percent. The Governor is fully funding the LCFF in 2018-2019; two years earlier than planned. The 2019-2020 increase for the District is 3.68 percent; net increase per ADA is $406.76.

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".

Recognizing the fiscal challenges, district management will need to implement pro-active measures to protect the district's financial health and maintain a healthy reserve. District management continues to review existing expenses and look for ways of reducing ongoing expenses while limiting the impact in the classroom and on staff. District is also taking the needed steps to maximize all state and federal funding.

Though we are at full implementation of LCFF, the district continues to see its benefits costs rise significantly due to mandated increases in employer contributions to CalSTRS and CalPERS.

The district will continue to closely monitor its current and long term fiscal needs in order to remain fiscally solvent and to ensure a healthy reserve level is maintained.

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, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 95,893,629
Receivables	8,505,292
Prepaid Expense	62,904
Stores inventories	26,372
Nondepreciable capital assets	154,643,618
Capital assets being depreciated	252,049,617
Accumulated depreciation	(155,846,174)
Total Assets	355,335,258
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on refunding	348,006
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	765,862
Deferred outflows of resources related to pensions	59,905,415
Total Deferred Outflows of Resources	61,019,283
LIABILITIES	
Overdrafts	1,000,585
Accounts payable	17,478,023
Unearned revenue	804,383
Long-term obligations:	
Current portion of long-term obligations other than pensions	4,748,124
Noncurrent portion of long-term obligations other than pensions	161,122,669
Total Long-Term Obligations	165,870,793
Aggregate net pension liability	185,698,911
Total Liabilities	370,852,695
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	7,181,266
NET POSITION	
Invested in capital assets, net of related debt	148,939,647
Restricted for:	
Debt service	6,167,472
Capital projects	1,726,645
Educational programs	2,597,293
Other activities	8,690,784
Unrestricted	(129,801,261)
Total Net Position	$ 38,320,580

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, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 129,722,564	$ 186,186	$ 22,304,368
Instruction-related activities:			
Supervision of instruction	19,550,696	35,501	4,649,857
Instructional library, media and technology	1,184,981	-	102,853
School site administration	12,290,663	22,421	808,767
Pupil services:			
Home-to-school transportation	7,815,476	14,511	183,086
Food services	6,829,740	1,880,527	3,745,493
All other pupil services	18,738,193	33,585	3,577,173
General administration:			
Data processing	2,357,848	-	59,657
All other general administration	8,157,842	105,712	1,161,332
Plant services	18,960,753	123,034	625,462
Ancillary services	1,176,253	-	35,474
Community services	79,290	-	-
Interest on long-term obligations	4,381,004	-	-
Other outgo	2,961,542	-	938,533
Total Governmental-Type Activities	$ 234,206,845	$ 2,401,477	$ 38,192,055

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

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (107,232,010)
(14,865,338)
(1,082,128)
(11,459,475)
(7,617,879)
(1,203,720)
(15,127,435)
(2,298,191)
(6,890,798)
(18,212,257)
(1,140,779)
(79,290)
(4,381,004)
(2,023,009)
(193,613,313)
36,255,583
5,764,114
194,077
135,915,081
1,330,875
105,776
6,910,889
186,476,395
(7,136,918)
45,457,498
$ 38,320,580

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 64,051,909	$ 14,616,546	$ 17,225,174
Receivables	7,060,620	273,113	1,171,559
Due from other funds	339,620	541,768	923,354
Prepaid expenditures	52,005	-	10,899
Stores inventories	-	-	26,372
Total Assets	$ 71,504,154	$ 15,431,427	$ 19,357,358
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ 1,000,585
Accounts payable	16,598,010	291,940	588,073
Due to other funds	923,354	35,283	846,105
Unearned revenue	767,033	-	37,350
Total Liabilities	18,288,397	327,223	2,472,113
FUND BALANCES			
Nonspendable	78,105	-	37,271
Restricted	2,597,293	15,104,204	16,547,630
Committed	-	-	247,207
Assigned	20,094,016	-	53,137
Unassigned	30,446,343	-	-
Total Fund Balances	53,215,757	15,104,204	16,885,245
Total Liabilities and Fund Balances	$ 71,504,154	$ 15,431,427	$ 19,357,358

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

Total Governmental Funds
$ 95,893,629
8,505,292
1,804,742
62,904
26,372
$ 106,292,939
$ 1,000,585
17,478,023
1,804,742
804,383
21,087,733
115,376
34,249,127
247,207
20,147,153
30,446,343
85,205,206
$ 106,292,939

SALINAS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 85,205,206**
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	$ 406,693,235	
Accumulated depreciation is	(155,846,174)	
Total capital assets		250,847,061
Pension contributions subsequent to measurement date	19,119,034	
Net change in proportionate share of net pension liability	10,599,869	
Difference between projected and actual earnings on pension plan investments	412,449	
Differences between expected and actual experience in the measurement of the total pension liability.	3,716,400	
Changes of assumptions	26,057,663	
Total Deferred Outflows of Resources Related to Pensions		59,905,415
Difference between projected and actual earnings on pension plan investments	(5,214,300)	
Differences between expected and actual experience in the measurement of the total pension liability.	(1,966,966)	
Total Deferred Inflows of Resources Related to Pensions		(7,181,266)
Deferred outflows of resources related to OPEB of amounts related to the change of assumptions.		765,862
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(185,698,911)
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.		348,006

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, 2019

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	$ 50,279,077	
Bond anticipation notes	44,998,099	
Bond premiums	3,116,899	
Compensated absences	1,592,784	
Capital lease obligations	18,617,543	
Other postemployment benefits (OPEB) liability	36,152,035	
In addition, the District has issued 'capital appreciation' general obligation bonds and bond anticipation notes. The accretion of interest unmatured on the general obligation bonds and bond anticipation notes to date is:	11,114,356	
Total long-term obligations		$ (165,870,793)
Total Net Position - Governmental Activities		**$ 38,320,580**

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, 2019

	General Fund	Building Fund	Non-Major Governmental Funds
REVENUES			
Local Control Funding Formula	$ 164,214,567	$ -	$ 1,505,211
Federal sources	10,784,009	-	4,206,327
Other state sources	27,399,664	-	2,052,389
Other local sources	10,716,269	548,415	8,735,986
Total Revenues	213,114,509	548,415	16,499,913
EXPENDITURES			
Current			
Instruction	117,544,729	-	1,616,808
Instruction-related activities:			
Supervision of instruction	18,355,180	-	471,650
Instructional library, media and technology	1,135,124	-	-
School site administration	11,051,658	-	444,510
Pupil Services:			
Home-to-school transportation	7,361,359	-	-
Food services	12,907	-	6,378,192
All other pupil services	17,921,859	-	213,900
General administration:			
Data processing	2,244,934	-	-
All other general administration	7,027,747	-	497,019
Plant services	16,288,202	656,822	539,914
Ancillary services	1,144,698	-	-
Community services	79,290	-	-
Other outgo	2,961,542	-	-
Facility acquisition and construction	23,188,822	18,393,267	2,405,022
Debt service			
Principal	654,598	-	8,815,000
Interest and other	545,402	-	2,128,650
Total Expenditures	227,518,051	19,050,089	23,510,665
NET CHANGE IN FUND BALANCES	(14,403,542)	(18,501,674)	(7,010,752)
Fund Balance - Beginning	67,619,299	33,605,878	23,895,997
Fund Balance - Ending	$ 53,215,757	$ 15,104,204	$ 16,885,245

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

Total Governmental Funds
$ 165,719,778
14,990,336
29,452,053
20,000,670
230,162,837
119,161,537
18,826,830
1,135,124
11,496,168
7,361,359
6,391,099
18,135,759
2,244,934
7,524,766
17,484,938
1,144,698
79,290
2,961,542
43,987,111
9,469,598
2,674,052
270,078,805
(39,915,968)
125,121,174
$ 85,205,206

SALINAS UNION HIGH SCHOOL DISTRICT

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, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ (39,915,968)**
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	$ 45,821,811	
Depreciation expense	(6,918,267)	
Net Expense Adjustment		38,903,544
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 and bond anticipation notes.		(1,677,951)
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 $89,929.		(89,929)
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.		(10,128,511)
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.		(3,828,343)

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, 2019

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		8,815,000
Capital lease obligations		654,598
Change in Net Position of Governmental Activities	**$**	**(7,136,918)**

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

SALINAS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Private-Purpose Trust Scholarships	Agency Student Body
ASSETS		
Deposits and investments	$ 230,021	$ 1,143,087
Receivables	1,140	-
Total Assets	$ 231,161	$ 1,143,087
LIABILITIES		
Accounts payable	$ 2,400	$ -
Due to student groups	-	1,143,087
Total Liabilities	2,400	$ 1,143,087
NET POSITION		
Restricted for scholarships	$ 228,761	

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, 2019

	Private-Purpose Trust Scholarships
ADDITIONS	
Contributions	$ 32,300
Interest	5,046
Total Additions	37,346
DEDUCTIONS	
Scholarships awarded	27,280
Change in Net Position	10,066
Net Position - Beginning	218,695
Net Position - Ending	$ 228,761

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 $24,922,231.

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, 2019, 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.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $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 and OPEB 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, 2019, 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 $19,182,194 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.

New Accounting Pronouncements

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 the 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 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.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$ 95,893,629
Less overdrafts	1,000,585
Net governmental activities	94,893,044
Fiduciary funds	1,373,108
Total Deposits and Investments	$ 96,266,152

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$ 1,204,379
Cash with Fiscal Agent	1,058,904
Cash in revolving	21,600
Cash collections awaiting deposit	11,133
Investments	93,970,136
Total Deposits and Investments	$ 96,266,152

The Adult Education Fund ended the fiscal year with a deficit cash in county balance of $1,000,585.

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	$ 93,862,070	$ -	$ 93,862,070	$ -	$ -

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, 2019, $1,069,310 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, 2019, 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	$ 4,234,931	$ -	$ 905,556	$ 5,140,487	$ -
State Government					
State grants and entitlements	2,062,169	-	178,534	2,240,703	-
Local Sources	763,520	273,113	87,469	1,124,102	1,140
Total	$ 7,060,620	$ 273,113	$ 1,171,559	$ 8,505,292	$ 1,140

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 33,659,214	$ -	$ -	$ 33,659,214
Construction in progress	80,909,535	42,433,143	2,358,274	120,984,404
Total Capital Assets Not Being Depreciated	114,568,749	42,433,143	2,358,274	154,643,618
Capital Assets being depreciated				
Land improvements	37,355,766	762,398	-	38,118,164
Buildings and improvements	195,016,672	3,097,433	-	198,114,105
Furniture and equipment	13,930,237	1,887,111	-	15,817,348
Total Capital Assets Being Depreciated	246,302,675	5,746,942	-	252,049,617
Less Accumulated Depreciation				
Land improvements	30,961,854	935,067	-	31,896,921
Buildings and improvements	108,823,547	4,984,463	-	113,808,010
Furniture and equipment	9,142,506	998,737	-	10,141,243
Total Accumulated Depreciation	148,927,907	6,918,267	-	155,846,174
Governmental Activities Capital Assets, Net	$ 211,943,517	$ 41,261,818	$ 2,358,274	$ 250,847,061

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,113,220
School site administration	276,731
Home-to-school transportation	1,245,288
Food services	553,461
Data processing	345,913
All other general administration	69,183
Plant services	1,314,471
Total Depreciation Expense Governmental Activities	$ 6,918,267

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, 2019, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	$ 339,620	$ 923,354
Building	541,768	35,283
Total Major Governmental Funds	881,388	958,637
Non-Major Governmental Funds		
Adult Education	923,354	47,560
Cafeteria	-	256,777
Capital Facilities	-	541,768
Total Non-Major Governmental Funds	923,354	846,105
Total All Governmental Funds	$ 1,804,742	$ 1,804,742

The General Fund owes the Adult Education Non-Major Governmental Fund for program operations.	$ 905,211
The General Fund owes the Adult Education Non-Major Governmental Fund for apportionment corrections.	1,091
The General Fund owes the Adult Education Non-Major Governmental Fund for negative interest on deficit cash in county treasury balance.	17,052
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.	46,277
The Adult Education Non-Major Governmental Fund owes the General Fund for vehicle charges.	1,283
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	256,095
The Cafeteria Non-Major Governmental Fund owes the General Fund for vehicle charges.	682
The Building Fund owes the General Fund for capital project costs.	35,283
The Capital Facilities Non-Major Governmental Fund owes the Building Fund for capital project costs.	541,768
Total	$ 1,804,742

NOTE 7 - PREPAID EXPENDITURES (EXPENSES)

Prepaid expenditures (expenses) at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Conferences and lodging	$ 45,312	$ -	$ 45,312
Swimming pool and hazmat permits	6,693	-	6,693
Health permit fees	-	9,641	9,641
Site licensing fees	-	1,258	1,258
Total	$ 52,005	$ 10,899	$ 62,904

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Vendor payables	$ 6,630,554	$ 291,940	$ 390,941	$ 7,313,435	$ 2,400
Deferred payroll	7,327,381	-	197,132	7,524,513	-
State apportionment	582,135	-	-	582,135	-
Health insurance	2,057,940	-	-	2,057,940	-
Total	$ 16,598,010	$ 291,940	$ 588,073	$ 17,478,023	$ 2,400

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 266,944	$ -	$ 266,944
State categorical aid	116,002	-	116,002
Local assistance	384,087	37,350	421,437
Total	$ 767,033	$ 37,350	$ 804,383

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, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Current Interest Bonds					
2014 Bonds, Series A	$ 36,150,000	$ -	$ 2,700,000	$ 33,450,000	$ 2,980,000
2017 Bonds	16,740,000	-	6,115,000	10,625,000	1,095,000
Capital Appreciation Bonds					
2002 Series A, original denomination	4,453,928	-	-	4,453,928	-
2002 Series A, accreted interest	6,045,868	599,526	-	6,645,394	-
2014 Series A, original denomination	1,750,149	-	-	1,750,149	-
2014 Series A, accreted interest	263,496	45,185	-	308,681	-
Bond premiums	3,276,542	-	159,643	3,116,899	-
Capital Appreciation Bond Anticpation Notes					
2015 original denomination	44,998,099	-	-	44,998,099	-
2015 accreted interest	3,127,041	1,033,240	-	4,160,281	-
Capital lease	19,272,141	-	654,598	18,617,543	673,124
Compensated absences	1,502,855	89,929	-	1,592,784	-
Other postemployment benefits (OPEB) liability	31,557,830	4,594,205	-	36,152,035	-
Total	$ 169,137,949	$ 6,362,085	$ 9,629,241	$ 165,870,793	$ 4,748,124

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 capital lease will be made by the General Fund utilizing energy savings generated by the project. 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, 2018	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2019
Measure M							
2002 Capital Appreciation							
Series A	4/10/03	2028	5.50-5.60	$ 10,499,796	$ 599,526	$ -	$ 11,099,322
Measure B							
2014 Capital Appreciation							
Series A	11/23/15	2036	4.25-4.58	2,013,645	45,185	-	2,058,830
2014 Current Interest							
Series A	11/23/15	2050	2.00-5.00	36,150,000	-	2,700,000	33,450,000
Series 2017	3/15/17	2031	3.00-5.00	16,740,000	-	6,115,000	10,625,000
Total				$ 65,403,441	$ 644,711	$ 8,815,000	$ 57,233,152

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	$ 2,322,425	$ 562,575	$ 2,885,000
2025	2,268,214	721,786	2,990,000
2026	2,215,401	879,599	3,095,000
2027	2,170,602	1,039,398	3,210,000
2028	2,122,680	1,202,320	3,325,000
Total	$ 11,099,322	$ 4,405,678	$ 15,505,000

2014 Election Series A Current Interest Bonds, Measure B

Fiscal Year	Principal	Interest to Maturity	Total
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	-	1,144,400	1,144,400
2025-2029	-	5,722,000	5,722,000
2030-2034	-	5,722,000	5,722,000
2035-2039	3,040,000	5,507,000	8,547,000
2040-2044	8,090,000	4,110,600	12,200,600
2045-2049	12,785,000	2,014,500	14,799,500
2050	3,250,000	65,000	3,315,000
Total	$ 33,450,000	$ 29,185,475	$ 62,635,475

2014 Election Series A Capital Appreciation Bonds, Measure B

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2031	$ 289,616	$ 170,384	$ 460,000
2032	312,480	212,520	525,000
2033	333,822	256,178	590,000
2034	354,948	305,052	660,000
2035	375,438	359,562	735,000
2036	392,526	417,474	810,000
Total	$ 2,058,830	$ 1,721,170	$ 3,780,000

General Obligation Refunding Bonds, Series 2017

Fiscal Year	Principal	Maturity	Total
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	700,000	295,875	995,875
2025-2029	4,055,000	914,700	4,969,700
2030-2031	2,875,000	128,172	3,003,172
Total	$ 10,625,000	$ 2,860,122	$ 13,485,122

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	$ 49,158,380	$ 516,620	$ 49,675,000

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $1,592,784.

Capital Leases

The District has entered into an agreement to lease various solar equipment within the District. This agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. The District's liability on the lease agreement is summarized below:

Balance, July 1, 2018	$ 19,272,141
Payments	654,598
Balance, June 30, 2019	$ 18,617,543

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 1,200,000
2021	1,200,000
2022	1,200,000
2023	1,200,000
2024	1,572,089
2025-2029	7,860,445
2030-2034	7,860,446
2035-2039	1,572,090
Total	23,665,070
Less: Amount Representing Interest	5,047,527
Present Value of Minimum Lease Payments	$ 18,617,543

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2019, include the following:

Construction in progress	$ 18,352,765

Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported total OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 35,139,777	$ 765,862	$ 3,923,404
Medicare Premium Payment (MPP) Program	1,012,258	-	(95,061)
Total	$ 36,152,035	$ 765,862	$ 3,828,343

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 2018-2019, the District contributed $1,365,545 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $35,139,777 was measured as of June 30, 2019, determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019, 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	3.5 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 actuarial 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, June 30, 2018	$ 30,450,511
Service cost	4,127,855
Interest	1,114,108
Changes of assumptions or other inputs	812,848
Benefit payments	(1,365,545)
Net change in total OPEB liability	4,689,266
Balance, June 30, 2019	$ 35,139,777

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 3.8 percent to 3.5 percent since the previous valuation.

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 (2.5%)	$ 37,815,887
Current discount rate (3.5%)	35,139,777
1% increase (4.5%)	32,756,225

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%)	$ 32,531,509
Current healthcare cost trend rate (4.0%)	35,139,777
1% increase (5.0%)	3,784,251

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $3,923,404. At June 30, 2019, the District reported deferred outflows of resources of $765,862 for changes of assumptions.

The deferred outflows of resources related to 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 and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 46,986
2021	46,986
2022	46,986
2023	46,986
2024	46,986
Thereafter	530,932
Total	$ 765,862

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, 2017, 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.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $1,012,258 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, respectively, was 0.2645 percent and 0.2632 percent, resulting in a net increase in the proportionate share of 0.0013 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(95,061).

Actuarial Methods and Assumptions

The June 30, 2018, total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
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, 2017, 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 our 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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, 2018, is 3.87 percent. 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 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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 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	Net OPEB Liability
1% decrease (2.87%)	$ 1,119,609
Current discount rate (3.87%)	1,012,258
1% increase (4.87%)	915,329

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 Medicare costs trend rates, as well as what the net OPEB 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)	$ 923,078
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,012,258
1% increase (4.7% Part A and 5.1% Part B)	1,108,171

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 26,100	$ -	$ -	$ 26,100
Stores inventories	-	-	26,372	26,372
Prepaid expenditures	52,005	-	10,899	62,904
Total Nonspendable	78,105	-	37,271	115,376
Restricted				
Legally restricted programs	2,597,293	-	8,653,513	11,250,806
Capital projects	-	15,104,204	1,726,645	16,830,849
Debt service	-	-	6,167,472	6,167,472
Total Restricted	2,597,293	15,104,204	16,547,630	34,249,127
Committed				
Adult education programs	-	-	14,514	14,514
Deferred maintenance program	-	-	232,693	232,693
Total Committed	-	-	247,207	247,207
Assigned				
Postemployment benefits	12,047,783	-	-	12,047,783
Board one percent reserve	2,208,214	-	-	2,208,214
Supplemental/concentration carryover	5,838,019	-	-	5,838,019
Capital projects	-	-	53,137	53,137
Total Assigned	20,094,016	-	53,137	20,147,153
Unassigned				
Reserve for economic uncertainties	6,624,641	-	-	6,624,641
Remaining unassigned	23,821,702	-	-	23,821,702
Total Unassigned	30,446,343	-	-	30,446,343
Total	$ 53,215,757	$ 15,104,204	$ 16,885,245	$ 85,205,206

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, 2019, 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 2019, 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, 2019, 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	$ 135,414,139	$ 44,750,232	$ 7,181,266	$ 18,501,020
CalPERS	50,284,772	15,155,183	-	10,746,525
Total	$ 185,698,911	$ 59,905,415	$ 7,181,266	$ 29,247,545

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, 2017, 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, 2019, 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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

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, 2019, are presented above and the District's total contributions were $14,335,863.

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

At June 30, 2019, 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	$ 135,414,139
State's proportionate share of the net pension liability associated with the District	77,530,928
Total	$ 212,945,067

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively was 0.1473 percent and 0.1454 percent, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2019, the District recognized pension expense of $18,501,020. In addition, the District recognized pension expense and revenue of $9,108,136 for support provided by the State. At June 30, 2019, 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	$ 14,335,863	$ -
Net change in proportionate share of net pension liability	8,957,504	-
Difference between projected and actual earnings on pension plan investments	-	5,214,300
Differences between expected and actual experience in the measurement of the total pension liability	419,914	1,966,966
Changes of assumptions	21,036,951	-
Total	$ 44,750,232	$ 7,181,266

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
2020	$ 1,132,172
2021	(821,533)
2022	(4,374,595)
2023	(1,150,344)
Total	$ (5,214,300)

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
2020	$ 5,728,919
2021	5,728,919
2022	5,728,917
2023	5,471,326
2024	5,588,227
Thereafter	201,095
Total	$ 28,447,403

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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, 2018, 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%)	$ 198,365,867
Current discount rate (7.10%)	135,414,139
1% increase (8.10%)	83,221,047

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, 2017, 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, 2019, 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%	7.00%
Required employer contribution rate	18.062%	18.062%

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, 2019, are presented above and the total District contributions were $4,783,171.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $50,284,772. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively was 0.1886 percent and 0.1810 percent, resulting in a net increase in the proportionate share of 0.0076 percent.

For the year ended June 30, 2019, the District recognized pension expense of $10,746,525. At June 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	$ 4,783,171
Net change in proportionate share of net pension liability	1,642,365
Difference between projected and actual earnings on pension plan investments	412,449
Differences between expected and actual experience in the measurement of the total pension liability	3,296,486
Changes of assumptions	5,020,712
Total	$ 15,155,183

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
2020	$ 1,500,165
2021	358,752
2022	(1,149,665)
2023	(296,803)
Total	$ 412,449

The deferred outflows 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 4,388,182
2021	4,123,329
2022	1,448,052
Total	$ 9,959,563

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

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%)	$ 73,212,223
Current discount rate (7.15%)	50,284,772
1% increase (8.15%)	31,263,169

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 $7,155,622 (9.828 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule.*

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, 2019.

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, 2019.

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
East Alavarez High School pool renovation	$ 335,455	July 2019
East Alavarez High School Wellness Center	1,285,453	November 2019
Education Center roof replacement	166,169	July 2019
Harden Middle School Wellness Center	1,285,453	November 2019
Mt. Toro High School MPR/CDC building	1,322,257	October 2019
New high school	3,871,268	October 2019
North Salinas High School shade structure	64,017	January 2020
ROP CTE Center	147,253	July 2019
Salinas High School roof replacement	5,850	July 2019
Salinas High School turf replacement	57,334	July 2019
Total	$ 8,540,509	

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.

REQUIRED SUPPLEMENTARY INFORMATION

SALINAS UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variances - Favorable (Unfavorable) Final
	Original	Final	Actual	to Actual
REVENUES				
Local Control Funding Formula	$ 162,849,696	$ 164,035,458	$ 164,214,567	$ 179,109
Federal sources	10,732,455	11,852,902	10,784,009	(1,068,893)
Other state sources	22,552,580	20,864,882	27,399,664	6,534,782
Other local sources	8,302,419	9,770,495	10,716,269	945,774
Total Revenues [1]	204,437,150	206,523,737	213,114,509	6,590,772
EXPENDITURES				
Current				
Certificated Salaries	84,929,409	88,302,043	88,404,861	(102,818)
Classified salaries	25,361,041	25,290,135	25,742,990	(452,855)
Employee benefits	51,392,793	50,841,824	57,295,383	(6,453,559)
Books and supplies	10,085,821	10,272,698	8,653,016	1,619,682
Services and operating expenditures	20,114,586	20,434,496	18,590,935	1,843,561
Other outgo	2,636,205	2,540,743	2,600,178	(59,435)
Capital outlay	7,727,140	25,708,275	25,030,688	677,587
Debt service	-	1,200,000	1,200,000	-
Total Expenditures [1]	202,246,995	224,590,214	227,518,051	(2,927,837)
Excess (Deficiency) of Revenues Over Expenditures	2,190,155	(18,066,477)	(14,403,542)	3,662,935
Other Financing Sources:				
Transfers in	3,200,000	4,482,003	-	(4,482,003)
NET CHANGE IN FUND BALANCES	5,390,155	(13,584,474)	(14,403,542)	(819,068)
Fund Balance - Beginning	67,619,299	67,619,299	67,619,299	-
Fund Balance - Ending	$ 73,009,454	$ 54,034,825	$ 53,215,757	$ (819,068)

[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. Additionally, on behalf payments of $6,909,926 relating to Senate Bill 90 (Chapter 33, Statutes of 2019) are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 4,127,855	$ 4,017,377
Interest	1,114,108	1,063,235
Changes of assumptions	812,848	-
Benefit payments	(1,365,545)	(1,313,024)
Net change in total OPEB liability	4,689,266	3,767,588
Total OPEB liability - beginning	30,450,511	26,682,923
Total OPEB liability - ending	$ 35,139,777	$ 30,450,511
Covered payroll	N/A [1]	N/A [1]
District's total OPEB liability as a percentage of covered payroll	N/A [1]	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.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.2645%	0.2632%
District's proportionate share of the net OPEB liability	$ 1,012,258	$ 1,107,319
District's covered-employee payroll	N/A [1]	N/A [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A [1]	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	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, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.1473%	0.1454%
District's proportionate share of the net pension liability	$ 135,414,139	$ 134,449,398
State's proportionate share of the net pension liability associated with the District	77,530,928	79,539,128
Total	$ 212,945,067	$ 213,988,526
District's covered - employee payroll	$ 82,400,748	$ 75,270,803
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	164.34%	178.62%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.1886%	0.1810%
District's proportionate share of the net pension liability	$ 50,284,772	$ 43,200,109
District's covered - employee payroll	$ 24,920,115	$ 23,423,488
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	201.78%	184.43%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.1353%	0.1340%	0.1289%
$ 109,469,030	$ 90,245,333	$ 75,329,929
62,318,766	47,729,833	45,487,463
$ 171,787,796	$ 137,975,166	$ 120,817,392
$ 71,874,511	$ 64,640,450	$ 57,415,952
152.31%	139.61%	131.20%
70%	74%	77%
0.1753%	0.1727%	0.1604%
$ 34,612,494	$ 25,453,861	$ 18,213,483
$ 21,679,885	$ 18,951,890	$ 16,841,863
159.65%	134.31%	108.14%
74%	79%	83%

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 14,335,863	$ 11,890,428
Contributions in relation to the contractually required contribution	14,335,863	11,890,428
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 88,058,127	$ 82,400,748
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 4,783,171	$ 3,870,343
Contributions in relation to the contractually required contribution	4,783,171	3,870,343
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 26,481,957	$ 24,920,115
Contributions as a percentage of covered - employee payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

	2017	2016	2015
	$ 9,469,067	$ 7,712,135	$ 5,740,072
	9,469,067	7,712,135	5,740,072
	$ -	$ -	$ -
	$ 75,270,803	$ 71,874,511	$ 64,640,450
	12.58%	10.73%	8.88%

	2017	2016	2015
	$ 3,253,054	$ 2,568,416	$ 2,230,827
	3,253,054	2,568,416	2,230,827
	$ -	$ -	$ -
	$ 23,423,488	$ 21,679,885	$ 18,951,890
	13.888%	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.

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 3.8 percent to 3.5 percent since the previous valuation.

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 3.58 percent to 3.87 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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* -** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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, 2019

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	$ 66,546
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Title I, Part A, Basic	84.010	14329	4,098,825
Title I, Part C, Migrant Education - Regular	84.011	14326	1,856,804
Title I, Part C, Migrant Education - Summer	84.011	10005	168,701
Title II - Part A, Supporting Effective Instruction	84.367	14341	756,827
Title III - English Language Acquisition - IEP	84.365	15146	28,406
Title III - English Language Acquisition - LEP	84.365	14346	446,368
Adult Basic Education, ESL	84.002A	14508	170,357
English Literacy and Civics	84.002A	14109	69,027
Adult Secondary Education	84.002	13978	117,150
Department of Rehabilitation: Workability II	84.126	10006	161,942
Technology Secondary IIC, Section 131	84.048	14894	286,131
Special Education Cluster			
Special Education, Basic Local Assistance	84.027	13379	2,363,491
Special Education, Private School	84.027	10115	19,189
Subtotal Special Education Cluster			2,382,680
Total U.S. Department of Education			10,543,218
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	154,008
Medi-Cal Administrative Activities	93.778	10060	376,773
Subtotal Medicaid Cluster			530,781
Total U.S. Department of Health and Human Services			530,781
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	2,569,244
Basic Breakfast	10.553	13525	2,604
Especially Needy Breakfast	10.553	13526	735,728
Meals Supplements - Snack	10.555	13391	202,359
Food Distribution - Commodities	10.555	13391	339,856
Subtotal Child Nutrition Cluster			3,849,791
Total U.S. Department of Agriculture			3,849,791
Total Expenditures of Federal Awards			$ 14,990,336

N/A - Not Applicable
[1] Catalog number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

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	2022
Kristina Szaszy-Jones	Clerk	2022
Sandra Ocampo	Member	2020
Anthony Rocha	Member	2022
Jorge Rojas	Member	2020
Carlos Rubio	Member	2022

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, 2019

	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	4,640.42	4,639.52
Ninth through twelfth	10,259.60	10,209.16
Total Regular ADA	14,900.02	14,848.68
Extended Year Special Education		
Seventh and eighth	0.71	3.03
Ninth through twelfth	1.08	10.41
Total Extended Year Special Education	1.79	13.44
Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.43	1.59
Ninth through twelfth	4.66	5.02
Total Special Education, Nonpublic, Nonsectarian Schools	6.09	6.61
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.13	0.21
Ninth through twelfth	1.15	1.66
Total Extended Year Special Education - Nonpublic, Nonsectarian Schools	1.28	1.87
Community Day School		
Seventh and eighth	3.53	3.31
Ninth through twelfth	14.84	13.72
Total Community Day School	18.37	17.03
Total ADA	14,927.55	14,887.63

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-1987 Minutes Requirement	2018-2019 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000				
Grade 7		61,128	180	N/A	Complied
Grade 8		61,128	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.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1, 3]	2019 [3]	2018 [3]	2017 [3]
GENERAL FUND				
Revenues	$204,628,879	$212,616,772	$182,074,114	$174,250,344
Other sources and transfers in	30,000	3,776,128	19,764,917	176,996
Total Revenues and Other Sources	204,658,879	216,392,900	201,839,031	174,427,340
Expenditures	215,868,618	227,731,280	188,555,576	172,291,101
INCREASE/(DECREASE) IN FUND BALANCE	$ (11,209,739)	$ (11,338,380)	$ 13,283,455	$ 2,136,239
ENDING FUND BALANCE	$ 17,083,786	$ 28,293,525	$ 39,631,905	$ 26,348,450
AVAILABLE RESERVES [2, 5]	$ 11,952,783	$ 30,446,343	$ 16,220,037	$ 16,199,539
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.54%	13.79%	8.60%	9.40%
LONG-TERM OBLIGATIONS [4]	Not Available	$165,870,793	$169,137,949	$157,057,736
AVERAGE DAILY ATTENDANCE AT P-2	15,005	14,928	14,626	14,273

The General Fund balance has increased by $1,945,075 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $11,209,739 (39.62 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 2019-2020 fiscal year. Total long-term obligations have increased by $8,813,057 over the past two years.

Average daily attendance has increased by 655 over the past two years. Additional growth of 77 ADA is anticipated during fiscal year 2019-2020.

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1 Budget 2020 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.

5 On behalf payments of $6,909,926 relating to Senate Bill 90 (Chapter 33, Statutes of 2019) have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ -	$ 8,175,838	$ 571,599
Receivables	329,967	819,521	10,786
Due from other funds	923,354	-	-
Prepaid expenses	-	10,899	-
Stores inventories	-	26,372	-
Total Assets	$ 1,253,321	$ 9,032,630	$ 582,385
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ 1,000,585	$ -	$ -
Accounts payable	153,312	85,069	349,692
Due to other funds	47,560	256,777	-
Unearned revenue	37,350	-	-
Total Liabilities	1,238,807	341,846	349,692
Fund Balances:			
Nonspendable	-	37,271	-
Restricted	-	8,653,513	-
Committed	14,514	-	232,693
Assigned	-	-	-
Total Fund Balances	14,514	8,690,784	232,693
Total Liabilities and Fund Balances	$ 1,253,321	$ 9,032,630	$ 582,385

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 2,257,392	$ 52,873	$ 6,167,472	$ 17,225,174
11,021	264	-	1,171,559
-	-	-	923,354
-	-	-	10,899
-	-	-	26,372
$ 2,268,413	$ 53,137	$ 6,167,472	$ 19,357,358
$ -	$ -	$ -	$ 1,000,585
-	-	-	588,073
541,768	-	-	846,105
-	-	-	37,350
541,768	-	-	2,472,113
-	-	-	37,271
1,726,645	-	6,167,472	16,547,630
-	-	-	247,207
-	53,137	-	53,137
1,726,645	53,137	6,167,472	16,885,245
$ 2,268,413	$ 53,137	$ 6,167,472	$ 19,357,358

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, 2019

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	$ 905,211	$ -	$ 600,000
Federal sources	356,534	3,849,793	-
Other state sources	1,670,194	347,564	-
Other local sources	228,187	2,240,752	25,988
Total Revenues	3,160,126	6,438,109	625,988
EXPENDITURES			
Current			
Instruction	1,616,808	-	-
Instruction-related activities:			
Supervision of instruction	471,650	-	-
School site administration	444,510	-	-
Pupil Services:			
Food services	-	6,378,192	-
All other pupil services	213,900	-	-
General administration:			
All other general administration	105,269	256,095	-
Plant services	311,650	226,303	-
Facility acquisition and construction	-	27,275	1,820,947
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	3,163,787	6,887,865	1,820,947
NET CHANGE IN FUND BALANCES	(3,661)	(449,756)	(1,194,959)
Fund Balance - Beginning	18,175	9,140,540	1,427,652
Fund Balance - Ending	$ 14,514	$ 8,690,784	$ 232,693

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 1,505,211
-	-	-	4,206,327
-	-	34,631	2,052,389
416,083	1,376	5,823,600	8,735,986
416,083	1,376	5,858,231	16,499,913
-	-	-	1,616,808
-	-	-	471,650
-	-	-	444,510
-	-	-	6,378,192
-	-	-	213,900
135,655	-	-	497,019
-	1,961	-	539,914
556,800	-	-	2,405,022
-	-	8,815,000	8,815,000
-	-	2,128,650	2,128,650
692,455	1,961	10,943,650	23,510,665
(276,372)	(585)	(5,085,419)	(7,010,752)
2,003,017	53,722	11,252,891	23,895,997
$ 1,726,645	$ 53,137	$ 6,167,472	$ 16,885,245

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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. 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

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, 2019, 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 15, 2019.

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.

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 15, 2019.

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 Entity'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 Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fresno, California
December 15, 2019

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, 2019. 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, 2019.

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.

Eide Bailly LLP

Fresno, California
December 15, 2019

EideBailly

CPAs & BUSINESS ADVISORS

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 *2018-2019 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, 2019.

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 *2018-2019 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, 2019.

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)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
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 offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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 has only grades 7 - 12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

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 the Independent Study - Course Based Program.

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

Eide Bailly LLP

Fresno, California
December 15, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SALINAS UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

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
84.011	Title I, Part C, Migrant Education
84.367	Title II - Part A, Supporting Effective Instruction
84.027	Special Education 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, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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 Findings and Questioned Costs.

Financial Statement Findings

2018-001 30000

Internal Control Over Financial Reporting

Criteria

All financial transactions of the District need to be accounted for and reported in the financial statements even if those transactions take place outside of the District's normal operating environment such as through the County Treasury.

Condition

During our audit, we found that the District did not account for and record activity related to a Solar Lease Project in which funds were deposited into an account for the purpose of completing the project. Per the financing agreement, funds were deposited into a District account with the District's fiscal agent, BNY Mellon. Construction costs were paid out of that account during the fiscal year as the project commenced, however, none of the activity was recorded by the District.

Effect

Because the activity was not recorded by the District, it was not reported in the financial statements, resulting in a material misstatement of those financial statements. The Financial Statements reported in this Annual Financial Report have been modified to include the activity resulting from the Solar Lease Project. As of June 30, 2018, Solar Lease Project funding, expenditures, construction in progress, a lease liability, and the remaining balance with the fiscal agent are reported in the Financial Statements.

Cause

District management had not previously had experience with this type of transaction where the activity took place with the fiscal agent, rather than through the typical county system, and was not aware that those transaction needed to be recorded and reported in the financial operations of the District.

Recommendation

District management has now included the effects of the Solar Lease Project activity within these financial statements. Management should take action to ensure that all District financial activity is recorded in their general ledger system.

Current Status

Implemented.

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Management
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, 2019, 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 15, 2019, on the government-wide financial statements of the District.

ALISAL HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

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.

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.

EVERETT ALVAREZ HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

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.

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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.

NORTH SALINAS HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Revenue Potentials

Observation

Revenue Potential Forms are not prepared to document and control fundraising activities as they occur. 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.

Recommendation

As the Revenue Potential Form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The Revenue Potential Form used at the site should contain four major elements. These are:

- Potential Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
- Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
- Analysis-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
- Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Inventory

Observation

During our audit, we found that for the concession stand, there is no process to track beginning and ending inventory in order to reconcile the number of items sold and the amount of money received.

Recommendation

A process should be implemented to track inventory for concession stand sales so that a reconciliation between sales and inventory can be performed to determine the accuracy of collections.

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.

HARDEN MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Timely Deposits

Observation

During our audit of the cash receipts system, we discovered that of the three deposits tested teachers/advisors were not remitting the cash collected to the site ASB bookkeeper in a timely fashion. This can result in large cash balances being maintained where there is a greater chance of theft or the funds being lost or misplaced.

Recommendation

All money collected by teachers and advisors should be brought to the ASB bookkeeper to be stored in the safe on a daily basis. Deposits to the District should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit. The District should then deposit these collections to the bank within a week from when they were received from the site.

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

Eide Bailly LLP

Fresno, California
December 15, 2019