



Financial Statements
June 30, 2020

Salinas Union High School District

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Independent Auditor's Report

To the Governing Board
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 Salinas Union High School District (the District) as of and for the year ended June 30, 2020, 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. 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.

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 Salinas Union High School District, as of June 30, 2020, 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, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, 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 Salinas Union High School District's financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of *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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are 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 a report dated January 17, 2021 on our consideration of 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, 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.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
January 17, 2021



Salinas Union High School District

This section of Salinas Union High School District's (2019-2020) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, and comparative information for the year ended June 30, 2019. 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 liabilities) 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.

REPORTING THE DISTRICT AS A WHOLE

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 \$24.2 million for the fiscal year ended June 30, 2020, and \$38.3 million for the fiscal year ended June 30, 2019, a decrease of \$14.1 million. Of this amount, \$21.6 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

		Governmental Activities	
		2020	2019
Assets			
Current and other assets		\$ 144,920,309	\$ 104,488,197
Capital assets		253,528,388	250,847,061
Total assets		398,448,697	355,335,258
Deferred outflows of resources		64,081,647	61,019,283
Liabilities			
Current liabilities		22,125,090	19,282,991
Long-term liabilities		404,539,888	351,569,704
Total liabilities		426,664,978	370,852,695
Deferred inflows of resources		11,644,882	7,181,266
Net Position			
Net investment in capital assets		145,163,721	148,939,647
Restricted		21,646,993	19,182,194
Unrestricted		(142,590,230)	(129,801,261)
Total net position		<u>\$ 24,220,484</u>	<u>\$ 38,320,580</u>

The \$24.2 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by \$12.8 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

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 1,769,391	\$ 2,401,477
Operating grants and contributions	33,346,752	38,192,055
General revenues		
Federal and State aid not restricted	141,734,274	135,915,081
Property taxes	44,979,505	42,213,774
Other general revenues	4,491,665	8,347,540
Total revenues	<u>226,321,587</u>	<u>227,069,927</u>
Expenses		
Instruction-related	165,816,817	162,748,904
Pupil services	34,711,846	33,383,409
Administration	10,512,291	10,515,690
Plant services	20,521,572	18,960,753
Other	8,859,157	8,598,089
Total expenses	<u>240,421,683</u>	<u>234,206,845</u>
Change in net position	<u>\$ (14,100,096)</u>	<u>\$ (7,136,918)</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$240.4 million, as compared to \$234.2 million in the prior year. The amount that our taxpayers financed for these activities through local taxes was \$45.0 million because the cost was paid by those who benefited from the programs (\$1.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$33.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$141.7 million in unrestricted Federal and State funds and \$4.5 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

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 165,816,817	\$ 162,748,904	\$ (141,473,774)	\$ (134,638,951)
Pupil services	34,711,846	33,383,409	(26,474,102)	(23,949,034)
Administration	10,512,291	10,515,690	(9,742,099)	(9,188,989)
Plant services	20,521,572	18,960,753	(20,030,037)	(18,212,257)
All other services	8,859,157	8,598,089	(7,585,528)	(7,624,082)
Total	<u>\$ 240,421,683</u>	<u>\$ 234,206,845</u>	<u>\$ (205,305,540)</u>	<u>\$ (193,613,313)</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$122.8 million while the prior year reported \$85.2 million, which is an increase of \$37.6 million (Table 4).

Table 4

Governmental Funds	Balances and Activity			
	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	\$ 53,215,757	\$ 213,289,479	\$ 212,163,367	\$ 54,341,869
Adult Education	14,514	3,112,428	3,113,535	13,407
Cafeteria	8,690,784	5,544,424	6,111,128	8,124,080
Deferred Maintenance	232,693	950,178	1,182,871	-
Building	15,104,204	38,808,869	5,120,415	48,792,658
Capital Facilities	1,726,645	442,453	21,503	2,147,595
Special Reserve Fund for Capital Outlay Projects	53,137	7,434	2,033	58,538
Bond Interest and Redemption	<u>6,167,472</u>	<u>58,374,954</u>	<u>55,225,354</u>	<u>9,317,072</u>
Total	<u>\$ 85,205,206</u>	<u>\$ 320,530,219</u>	<u>\$ 282,940,206</u>	<u>\$ 122,795,219</u>

The General Fund is the District's principal operating fund. The fund balance in the General Fund increased from \$53.2 million to \$54.3 million due primarily to a decrease in expenditures. The increase in Building Fund of \$33.7 million is primarily due to proceeds from a general obligation bond issuance. The non-major governmental funds increased by about \$2.8 million in total, primarily due to proceeds from a general obligation bond issuance in the Bond Interest and Redemption Fund.

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 23, 2020. 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 \$1.4 million. Although revenues and transfers in were \$2.8 million less than expected, expenditures and transfers out were \$5.3 million less than expected, resulting in an increase to the fund of \$1.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$250.8 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2020, the District's net capital assets were \$253.5 million. This amount represents a net increase (including additions, deductions and depreciation) of \$2.7 million from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 41,877,877	\$ 154,643,618
Buildings and improvements	205,428,077	90,527,338
Equipment	6,222,434	5,676,105
Total	<u>\$ 253,528,388</u>	<u>\$ 250,847,061</u>

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

Long-Term Liabilities

At the end of this year, the District had \$404.5 million in liabilities outstanding versus \$351.6 million last year, an increase of \$52.9 million. The long-term liabilities of the District include the following:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 136,882,966	\$ 106,391,532
Unamortized premiums	10,327,834	3,116,899
Capital leases	17,944,419	18,617,543
Compensated absences	1,917,937	1,592,784
Net OPEB liability	42,628,281	36,152,035
Aggregate net pension liability	194,838,451	185,698,911
	<u> </u>	<u> </u>
Total	<u>\$ 404,539,888</u>	<u>\$ 351,569,704</u>

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

FOR THE FUTURE

The State of California financially supports 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 pupil percentage is 78.12 percent. The Governor fully funded the LCFF in 2018-2019; two years earlier than planned. The 2020-2021 increase for the District is 0.36 percent; net increase per ADA is \$41.67.

The economy pre-COVID-19 was strong but in the span of four months, the virus brought the national economy to the most difficult year education has likely ever faced. Despite the fact that the District will not face LCFF cuts, in fact, the State of California provided new ongoing and one-time resources for learning loss, however; cash deferrals, the cost of protective measures, distance learning, and pandemic uncertainty all contribute to this very difficult year for education. The Governor warned that California would 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 has implemented pro-active measures to protect the District's financial health and maintain a healthy reserve. District management will continue 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.

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, 2020

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 104,735,092
Receivables	40,125,364
Prepaid items	25,140
Stores inventories	34,713
Capital assets not depreciated	41,877,877
Capital assets, net of accumulated depreciation	<u>211,650,511</u>
Total assets	<u>398,448,697</u>
Deferred Outflows of Resources	
Deferred charge on refunding	319,005
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	4,508,666
Deferred outflows of resources related to pensions	<u>59,253,976</u>
Total deferred outflows of resources	<u>64,081,647</u>
Liabilities	
Overdrafts	949,626
Accounts payable	18,973,939
Unearned revenue	2,201,525
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	5,262,173
Long-term liabilities other than OPEB and pensions due in more than one year	161,810,983
Total other postemployment benefits liabilities	42,628,281
Aggregate net pension liabilities	<u>194,838,451</u>
Total liabilities	<u>426,664,978</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,812,170
Deferred inflows of resources related to pensions	<u>9,832,712</u>
Total deferred inflows of resources	<u>11,644,882</u>
Net Position	
Net investment in capital assets	145,163,721
Restricted for	
Debt service	9,317,072
Capital projects	2,147,595
Educational programs	2,104,329
Other restrictions	8,077,997
Unrestricted	<u>(142,590,230)</u>
Total net position	<u><u>\$ 24,220,484</u></u>

Salinas Union High School District

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 131,014,801	\$ 174,667	\$ 19,105,703	\$ (111,734,431)
Instruction-related activities				
Supervision of instruction	20,548,145	36,355	4,345,141	(16,166,649)
Instructional library, media, and technology	1,319,114	-	57,133	(1,261,981)
School site administration	12,934,757	21,277	602,767	(12,310,713)
Pupil services				
Home-to-school transportation	8,033,664	8,725	57,786	(7,967,153)
Food services	6,823,846	1,320,525	3,531,403	(1,971,918)
All other pupil services	19,854,336	36,896	3,282,409	(16,535,031)
Administration				
Data processing	2,329,273	-	8,958	(2,320,315)
All other administration	8,183,018	50,160	711,074	(7,421,784)
Plant services	20,521,572	120,786	370,749	(20,030,037)
Ancillary services	1,142,046	-	25,703	(1,116,343)
Community services	54,280	-	-	(54,280)
Interest on long-term liabilities	3,827,416	-	-	(3,827,416)
Other outgo	3,835,415	-	1,247,926	(2,587,489)
Total governmental activities	<u>\$ 240,421,683</u>	<u>\$ 1,769,391</u>	<u>\$ 33,346,752</u>	<u>(205,305,540)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				38,784,742
Property taxes, levied for debt service				6,194,763
Federal and State aid not restricted to specific purposes				141,734,274
Interest and investment earnings				1,164,750
Interagency revenues				18,264
Special and extraordinary				2,768,472
Miscellaneous				540,179
Subtotal, general revenues				<u>191,205,444</u>
Change in Net Position				(14,100,096)
Net Position - Beginning				<u>38,320,580</u>
Net Position - Ending				<u>\$ 24,220,484</u>

Salinas Union High School District

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 36,455,116	\$ 48,541,440	\$ 19,738,536	\$ 104,735,092
Receivables	38,523,723	289,697	1,311,944	40,125,364
Due from other funds	1,173,733	-	945,724	2,119,457
Prepaid expenditures	11,140	-	14,000	25,140
Stores inventories	-	-	34,713	34,713
Total assets	\$ 76,163,712	\$ 48,831,137	\$ 22,044,917	\$ 147,039,766
Liabilities and Fund Balances				
Liabilities				
Overdrafts	\$ -	\$ -	\$ 949,626	\$ 949,626
Accounts payable	18,733,512	38,479	201,948	18,973,939
Due to other funds	945,724	-	1,173,733	2,119,457
Unearned revenue	2,142,607	-	58,918	2,201,525
Total liabilities	21,821,843	38,479	2,384,225	24,244,547
Fund Balances				
Nonspendable	32,740	-	48,713	81,453
Restricted	2,104,329	48,792,658	19,540,034	70,437,021
Committed	-	-	13,407	13,407
Assigned	18,257,881	-	58,538	18,316,419
Unassigned	33,946,919	-	-	33,946,919
Total fund balances	54,341,869	48,792,658	19,660,692	122,795,219
Total liabilities and fund balances	\$ 76,163,712	\$ 48,831,137	\$ 22,044,917	\$ 147,039,766

Salinas Union High School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds \$ 122,795,219

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

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	\$ 420,458,236
Accumulated depreciation is	<u>(166,929,848)</u>

Net capital assets	253,528,388
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Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

Debt refundings	319,005
Other postemployment benefits	4,508,666
Net pension obligation	<u>59,253,976</u>

Total deferred outflows of resources	64,081,647
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Deferred inflows of resources represent an acquisition of net position
that applies to a future period and is not reported in the governmental
funds. Deferred inflows of resources amount to and related to

Other postemployment benefits	(1,812,170)
Net pension obligation	<u>(9,832,712)</u>

Total deferred inflows of resources	(11,644,882)
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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(194,838,451)
-------------------------------------------------------------------------------------------------------------------------	---------------

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(42,628,281)
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Long-term liabilities are not due and payable in the current period
and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	(139,531,911)
Capital leases payable	(17,944,419)
Compensated absences (vacations)	(1,917,937)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(7,678,889)</u>
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Total long-term liabilities	<u>(167,073,156)</u>
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Total net position - governmental activities	<u><u>\$ 24,220,484</u></u>
----------------------------------------------	-----------------------------

Salinas Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 175,304,511	\$ -	\$ 1,525,505	\$ 176,830,016
Federal sources	8,878,686	-	4,109,715	12,988,401
Other State sources	18,346,959	-	1,909,214	20,256,173
Other local sources	10,759,323	537,217	8,788,511	20,085,051
Total revenues	213,289,479	537,217	16,332,945	230,159,641
Expenditures				
Current				
Instruction	116,431,856	-	1,668,099	118,099,955
Instruction-related activities				
Supervision of instruction	18,460,545	-	481,049	18,941,594
Instructional library, media, and technology	1,451,390	-	-	1,451,390
School site administration	11,504,866	-	419,595	11,924,461
Pupil services				
Home-to-school transportation	6,077,405	-	-	6,077,405
Food services	27,644	-	5,712,202	5,739,846
All other pupil services	18,446,643	-	204,586	18,651,229
Administration				
Data processing	2,171,284	-	-	2,171,284
All other administration	7,107,403	-	251,134	7,358,537
Plant services	15,628,890	904,852	511,534	17,045,276
Ancillary services	1,102,911	-	-	1,102,911
Community services	54,280	-	-	54,280
Other outgo	3,835,415	-	-	3,835,415
Facility acquisition and construction	8,662,835	3,660,812	1,182,871	13,506,518
Debt service				
Principal	673,124	-	53,405,454	54,078,578
Interest and other	526,876	554,751	1,819,900	2,901,527
Total expenditures	212,163,367	5,120,415	65,656,424	282,940,206
Excess (Deficiency) of Revenues Over Expenditures	1,126,112	(4,583,198)	(49,323,479)	(52,780,565)
Other Financing Sources				
Proceeds from bond issuance	-	38,271,652	52,098,926	90,370,578
Net Change in Fund Balances	1,126,112	33,688,454	2,775,447	37,590,013
Fund Balance - Beginning	53,215,757	15,104,204	16,885,245	85,205,206
Fund Balance - Ending	\$ 54,341,869	\$ 48,792,658	\$ 19,660,692	\$ 122,795,219

Salinas Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds \$ 37,590,013

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.

Depreciation expense	\$ (11,187,414)
Capital outlays	<u>13,894,530</u>

Net expense adjustment 2,707,116

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (896,888)

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (25,789)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. (325,153)

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. (12,442,425)

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. (4,545,612)

Salinas Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2020

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(83,000,000)
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.	
Premium on issuance recognized	(7,370,578)
Premium amortization	159,643
Deferred amount on refunding amortization	(29,001)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	53,405,454
Capital leases	<u>673,124</u>
Change in net position of governmental activities	<u><u>\$ (14,100,096)</u></u>

Salinas Union High School District
Statement of Net Position – Fiduciary Funds
June 30, 2020

	Private-Purpose Trust Scholarships	Agency Student Body
Assets		
Deposits and investments	\$ 231,472	\$ 1,282,764
Receivables	<u>1,325</u>	<u>-</u>
Total assets	<u><u>\$ 232,797</u></u>	<u><u>\$ 1,282,764</u></u>
Liabilities		
Accounts payable	\$ 8,800	\$ -
Due to student groups	<u>-</u>	<u>1,282,764</u>
Total liabilities	<u>8,800</u>	<u><u>\$ 1,282,764</u></u>
Net Position		
Held in trusts for scholarships	<u>223,997</u>	
Total net position	<u><u>\$ 223,997</u></u>	

Salinas Union High School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2020

	Private-Purpose Trust Scholarships
Additions	
Private donations	\$ 23,513
Interest	<u>5,473</u>
Total additions	<u>28,986</u>
Deductions	
Other expenditures	<u>33,750</u>
Change in Net Position	(4,764)
Net Position - Beginning	<u>228,761</u>
Net Position - Ending	<u><u>\$ 223,997</u></u>

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 \$25,585,646.

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 Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects 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 liabilities.

- **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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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 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)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 consumed rather than when purchased.

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 acquisition 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 Liabilities

Accounts payable and long-term liabilities 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 liabilities of the funds.

Debt Premiums

In the government-wide financial statements, long-term liabilities 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, which approximates the effective interest method.

In governmental fund financial statements, debt premiums are recognized in the period the bonds are issued. 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, for pension related items, and for 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 and for OPEB 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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, 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

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 deferred outflows of resources, and liabilities and deferred inflows of resources. 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. The District has no related debt outstanding as of June 30, 2020. 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 \$21,646,993 of restricted net position.

Estimates

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

Property Tax

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are

scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, 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. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 104,735,092
Less overdraft	(949,626)
Fiduciary funds	<u>1,514,236</u>
Total deposits and investments	<u><u>\$ 105,299,702</u></u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 1,338,675
Cash in revolving	21,600
Investments	<u>103,939,427</u>
Total deposits and investments	<u><u>\$ 105,299,702</u></u>

The Adult Education Fund ended the fiscal year with a deficit cash in county balance of \$949,626.

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	Reported Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	<u>\$ 103,939,427</u>	<u>\$ -</u>	<u>\$ 103,939,427</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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, 2020, \$1,191,596 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 - Receivables

Receivables at June 30, 2020, 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	Fiduciary Funds
Federal Government					
Categorical aid	\$ 5,825,419	\$ -	\$ 1,037,645	\$ 6,863,064	\$ -
State Government					
LCFF apportionment	27,452,070	-	-	27,452,070	-
Other State	2,544,728	-	211,716	2,756,444	-
Local sources	2,701,506	289,697	62,583	3,053,786	1,325
Total	<u>\$ 38,523,723</u>	<u>\$ 289,697</u>	<u>\$ 1,311,944</u>	<u>\$ 40,125,364</u>	<u>\$ 1,325</u>

Salinas Union High School District

Notes to Financial Statements

June 30, 2020

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 33,659,214	\$ -	\$ -	\$ 33,659,214
Construction in progress	120,984,404	4,375,527	(117,141,268)	8,218,663
Total capital assets not being depreciated	154,643,618	4,375,527	(117,141,268)	41,877,877
Capital assets being depreciated				
Land improvements	38,118,164	3,795,991	-	41,914,155
Buildings and improvements	198,114,105	121,032,823	-	319,146,928
Furniture and equipment	15,817,348	1,831,457	(129,529)	17,519,276
Total capital assets being depreciated	252,049,617	126,660,271	(129,529)	378,580,359
Total capital assets	406,693,235	131,035,798	(117,270,797)	420,458,236
Accumulated depreciation				
Land improvements	(31,896,921)	(1,108,299)	-	(33,005,220)
Buildings and improvements	(113,808,010)	(8,819,776)	-	(122,627,786)
Furniture and equipment	(10,141,243)	(1,259,339)	103,740	(11,296,842)
Total accumulated depreciation	(155,846,174)	(11,187,414)	103,740	(166,929,848)
Governmental activities capital assets, net	\$ 250,847,061	\$ 119,848,384	\$ (117,167,057)	\$ 253,528,388

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 5,034,336
School site administration	447,497
Home-to-school transportation	2,013,735
Food services	894,993
All other pupil services	559,371
Data processing	111,874
Plant services	2,125,608
Total depreciation expenses governmental activities	\$ 11,187,414

Note 5 - 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, 2020, between major and non-major governmental funds are as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Fund		
General	\$ 1,173,733	\$ 945,724
Non-Major Governmental Funds		
Adult Education	944,277	72,074
Cafeteria	613	159,825
Deferred Maintenance	834	941,834
Total	<u>\$ 2,119,457</u>	<u>\$ 2,119,457</u>
The Deferred Maintenance Non-Major Governmental Fund owes the General Fund for roofing project costs.		
		\$ 941,834
The General Fund owes the Adult Non-Major Governmental Fund for operating assistance.		
		925,519
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.		
		159,825
The Adult Non-Major Governmental Fund owes the General Fund for indirect costs.		
		69,821
The General Fund owes the Adult Non-Major Governmental Fund for negative interest.		
		18,758
The Adult Non-Major Governmental Fund owes the General Fund for miscellaneous costs.		
		2,253
The General Fund owes the Deferred Maintenance Non-Major Governmental Fund for interest earnings.		
		834
The General Fund owes the Cafeteria Non-Major Governmental Fund for miscellaneous costs.		
		613
Total		<u>\$ 2,119,457</u>

Salinas Union High School District

Notes to Financial Statements

June 30, 2020

Note 6 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Vendor payables	\$ 9,402,374	\$ 38,479	\$ 201,948	\$ 9,642,801	\$ 8,800
State LCFF apportionment	9,252,849	-	-	9,252,849	-
Salaries and benefits	61,457	-	-	61,457	-
Deferred payroll	16,832	-	-	16,832	-
Total	<u>\$ 18,733,512</u>	<u>\$ 38,479</u>	<u>\$ 201,948</u>	<u>\$ 18,973,939</u>	<u>\$ 8,800</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 502,164	\$ -	\$ 502,164
State categorical aid	770,637	58,918	829,555
Other local	869,806	-	869,806
Total	<u>\$ 2,142,607</u>	<u>\$ 58,918</u>	<u>\$ 2,201,525</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 106,391,532	\$ 83,896,888	\$ (53,405,454)	\$ 136,882,966	\$ 4,570,000
Unamortized debt premiums	3,116,899	7,370,578	(159,643)	10,327,834	-
Capital lease	18,617,543	-	(673,124)	17,944,419	692,173
Compensated absences	1,592,784	325,153	-	1,917,937	-
Total	<u>\$ 129,718,758</u>	<u>\$ 91,592,619</u>	<u>\$ (54,238,221)</u>	<u>\$ 167,073,156</u>	<u>\$ 5,262,173</u>

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund with local tax revenue. Payments on the capital lease will be made by the General Fund utilizing energy savings generated by the project. Payments on the compensated absences are made from the fund for which the related employee worked.

Bonded Debt2002 Election, Series A General Obligation Bonds, Measure M

On March 26, 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.

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 \$40,085,000 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.

2014 Election, Series B General Obligation Bonds, Measure B

On March 17, 2020, the District issued \$83,000,000 of Election of 2014, Series B, General Obligation Bonds. The Series B 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 B Bonds are the second series of bonds to be issued under this authorization. The Bonds were issued as current interest bonds. Interest on the bonds accrue from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020.

Salinas Union High School District

Notes to Financial Statements

June 30, 2020

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
Capital Appreciation								
3/26/03	10/1/2027	5.50-5.60	\$ 4,453,928	\$ 4,453,928	\$ -	\$ -	\$ -	\$ 4,453,928
	Accreted Interest		-	6,645,394	-	632,219	-	7,277,613
11/3/2015	8/1/2035	4.25-4.58	1,750,149	1,750,149	-	-	-	1,750,149
	Accreted Interest			308,681	-	92,595	-	401,276
11/3/2015	8/1/2020	2.00-5.00	44,998,099	44,998,099	-	-	(44,998,099)	-
	Accreted Interest		-	4,160,281	-	172,074	(4,332,355)	-
Current interest								
2/16/2017	2/1/2031	3.00-5.00	40,085,000	10,625,000	-	-	(1,095,000)	9,530,000
11/3/2015	8/1/2049	2.00-5.00	43,245,000	33,450,000	-	-	(2,980,000)	30,470,000
3/17/2020	8/1/2040	3.00-4.00	83,000,000	-	83,000,000	-	-	83,000,000
Total				<u>\$106,391,532</u>	<u>\$83,000,000</u>	<u>\$896,888</u>	<u>\$ (53,405,454)</u>	<u>\$136,882,966</u>

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2021	\$ -	\$ -	\$ -	\$ -	\$ -
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	949,887	1,501,786	2,451,673	433,327	2,885,000
2025	913,176	1,484,206	2,397,382	592,618	2,990,000
2026-2030	2,590,865	4,291,621	6,882,486	2,747,514	9,630,000
2031-2035	1,418,049	322,706	1,740,755	1,229,245	2,970,000
2036-2040	332,100	78,570	410,670	399,330	810,000
Total	<u>\$ 6,204,077</u>	<u>\$ 7,678,889</u>	<u>\$ 13,882,966</u>	<u>\$ 5,402,034</u>	<u>\$ 19,285,000</u>

Salinas Union High School District

Notes to Financial Statements

June 30, 2020

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 4,570,000	\$ 2,710,414	\$ 7,280,414
2022	2,180,000	4,784,875	6,964,875
2023	665,000	4,706,000	5,371,000
2024	700,000	4,671,875	5,371,875
2025	730,000	4,636,125	5,366,125
2026-2030	8,975,000	22,322,647	31,297,647
2031-2035	9,990,000	20,423,100	30,413,100
2036-2040	19,130,000	17,862,750	36,992,750
2041-2045	32,435,000	12,676,650	45,111,650
2046-2050	43,625,000	4,790,700	48,415,700
Total	<u>\$ 123,000,000</u>	<u>\$ 99,585,136</u>	<u>\$ 222,585,136</u>

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. The note was paid in full during the year.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$1,917,937.

Capital Lease

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:

	<u>Solar Lease</u>
Balance, July 1, 2019	\$ 18,617,543
Payments	<u>(673,124)</u>
Balance, July 1, 2020	<u>\$ 17,944,419</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	\$ 1,200,000
2022	1,200,000
2023	1,200,000
2024	1,572,089
2025	1,572,089
2026-2030	7,860,445
2031-2035	7,860,447
Total	22,465,070
Less amount representing interest	(4,520,651)
Present value of minimum lease payments	<u>\$ 17,944,419</u>

Note 9 - Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total/Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 41,608,859	\$ 4,508,666	\$ 1,812,170	\$ 5,910,986
Medicare Premium Payment (MPP) Program	1,019,422	-	-	7,164
Total	<u>\$ 42,628,281</u>	<u>\$ 4,508,666</u>	<u>\$ 1,812,170</u>	<u>\$ 5,918,150</u>

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, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	58
Active employees	<u>1,330</u>
Total	<u><u>1,388</u></u>

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. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, SVFT, CSEA, and the unrepresented groups. For the measurement period of June 30, 2020, the District contributed \$1,372,538 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of \$41,608,859 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 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	2.20 percent
Healthcare cost trend rates	4.00 percent for 2020

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 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, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	\$ 35,139,777
Service cost	4,462,322
Interest	1,283,963
Differences between expected and actual experience	(1,920,038)
Changes of assumptions or other inputs	4,015,373
Benefit payments	(1,372,538)
Net change in total OPEB liability	6,469,082
Balance, June 30, 2020	\$ 41,608,859

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

Changes of Assumptions - The discount rate was changed from 3.5 percent to 2.2 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 (1.2%)	\$ 45,105,998
Current discount rate (2.2%)	41,608,859
1% increase (3.2%)	38,296,553

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:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	\$ 36,005,196
Current healthcare cost trend rate (4.0%)	41,608,859
1% increase (5.0%)	48,389,226

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$5,910,986. At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,812,170
Changes of assumptions	4,508,666	-
Total	<u>\$ 4,508,666</u>	<u>\$ 1,812,170</u>

The deferred outflows of resources related to changes of assumptions and deferred inflows of resources related to differences between expected and actual experience will be amortized over the Expected Average Remaining Service Life (EARS�) 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(Inflows) of Resources
2021	\$ 164,701
2022	164,701
2023	164,701
2024	164,701
2025	164,701
Thereafter	1,872,991
Total	<u>\$ 2,696,496</u>

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, 2018, 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.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. 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, 2020, the District reported a liability of \$1,019,422 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, respectively, was 0.2737 percent and 0.2645 percent and, resulting in a net increase in the proportionate share of 0.0092 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$7,164.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
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	3.50%	3.87%
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, 2018, 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 380 or an average of 0.23 percent of the potentially eligible population (165,422).

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, 2019, 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, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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 (2.50%)	\$ 1,112,423
Current discount rate (3.50%)	1,019,422
1% increase (4.50%)	933,913

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 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)	\$ 955,503
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,019,422
1% increase (4.7% Part A and 5.1% Part B)	1,147,098

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 21,600	\$ -	\$ -	\$ 21,600
Stores inventories	-	-	34,713	34,713
Prepaid expenditures	11,140	-	14,000	25,140
Total nonspendable	32,740	-	48,713	81,453
Restricted				
Legally restricted programs	2,104,329	-	8,077,997	10,182,326
Capital projects	-	48,792,658	2,144,965	50,937,623
Debt service	-	-	9,317,072	9,317,072
Total restricted	2,104,329	48,792,658	19,540,034	70,437,021
Committed				
Adult education program	-	-	13,407	13,407
Assigned				
Supplemental/ concentration carryover	3,781,343	-	-	3,781,343
Board one percent reserve	2,121,634	-	-	2,121,634
Postemployment benefits	12,354,904	-	-	12,354,904
Capital projects	-	-	58,538	58,538
Total assigned	18,257,881	-	58,538	18,316,419
Unassigned				
Reserve for economic uncertainties	6,364,901	-	-	6,364,901
Remaining unassigned	27,582,018	-	-	27,582,018
Total unassigned	33,946,919	-	-	33,946,919
Total	\$ 54,341,869	\$ 48,792,658	\$ 19,660,692	\$ 122,795,219

Note 11 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, 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 2020, 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 12 - 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, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 139,759,562	\$ 46,251,953	\$ 9,321,844	\$ 20,284,580
CalPERS	55,078,889	13,002,023	510,868	10,188,296
Total	<u>\$ 194,838,451</u>	<u>\$ 59,253,976</u>	<u>\$ 9,832,712</u>	<u>\$ 30,472,876</u>

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, 2018, 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$15,352,694.

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

At June 30, 2020, 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

Proportionate share of net pension liability	\$ 139,759,562
State's proportionate share of the net pension liability	<u>76,248,171</u>
Total	<u><u>\$ 216,007,733</u></u>

The net pension liability was measured as of June 30, 2019. 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, 2019, respectively was 0.1547 percent and 0.1473 percent, resulting in a net increase in the proportionate share of 0.0074 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$20,284,580. In addition, the District recognized pension expense and revenue of \$11,354,997 for support provided by the State. At June 30, 2020, 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	\$ 15,352,694	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	12,869,910	-
Differences between projected and actual earnings on pension plan investments	-	5,383,581
Differences between expected and actual experience in the measurement of the total pension liability	352,819	3,938,263
Changes of assumptions	<u>17,676,530</u>	<u>-</u>
Total	<u><u>\$ 46,251,953</u></u>	<u><u>\$ 9,321,844</u></u>

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
2021	\$ (543,026)
2022	(4,273,930)
2023	(887,335)
2024	320,710
Total	<u>\$ (5,383,581)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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
2021	\$ 6,491,743
2022	6,491,745
2023	6,248,847
2024	6,378,266
2025	775,168
Thereafter	575,227
Total	<u>\$ 26,960,996</u>

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

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%)	\$ 208,113,557
Current discount rate (7.10%)	139,759,562
1% increase (8.10%)	83,081,083

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, 2018, 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	19.721%	19.721%

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, 2020, are presented above and the total District contributions were \$5,314,815.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$55,078,889. The net pension liability was measured as of June 30, 2019. 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, 2019, respectively was 0.1890 percent and 0.1886 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

Salinas Union High School District

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$10,188,296. At June 30, 2020, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,314,815	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,064,343	-
Differences between projected and actual earnings on pension plan investments	-	510,868
Differences between expected and actual experience in the measurement of the total pension liability	4,000,938	-
Changes of assumptions	2,621,927	-
Total	<u>\$ 13,002,023</u>	<u>\$ 510,868</u>

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
2021	\$ 504,282
2022	(1,007,288)
2023	(152,642)
2024	144,780
Total	<u>\$ (510,868)</u>

The deferred outflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2021	\$ 4,810,120
2022	2,129,735
2023	679,412
2024	67,941
Total	<u>\$ 7,687,208</u>

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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%)	\$ 79,392,597
Current discount rate (7.15%)	55,078,889
1% increase (8.15%)	34,908,989

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 \$7,964,370 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions totaling \$2,671,520 has been recorded in these financial statements. On behalf payments related to these additional contributions have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 13 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
New Middle School	\$ 2,033,876	December 2020
Alisal High School Wellness Center	1,407,355	January 2021
North Salinas High School Wellness Center	895,816	September 2020
Washington Middle School Wellness Center	746,479	October 2020
North Salinas High School Roof	677,660	August 2020
North Salinas High School Relocatables	653,670	September 2020
New Scoreboard	228,290	October 2020
Wellness Centers in Que	167,069	September 2021
North Salinas High School Greenhouse	45,545	September 2020
Total	<u>\$ 6,855,760</u>	

Note 14 - Participation in Joint Powers Authorities

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

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

Note 15 - Subsequent Event

World-Wide Coronavirus Pandemic

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information
June 30, 2020

Salinas Union High School District

Salinas Union High School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 171,022,344	\$ 175,169,423	\$ 175,304,511	\$ 135,088
Federal sources	11,278,411	11,701,947	8,878,686	(2,823,261)
Other State sources	13,709,268	16,783,073	18,346,959	1,563,886
Other local sources	8,651,398	10,284,266	10,759,323	475,057
Total revenues ¹	204,661,421	213,938,709	213,289,479	(649,230)
Expenditures				
Current				
Certificated salaries	92,344,146	91,451,884	90,278,633	1,173,251
Classified salaries	27,453,078	26,487,311	26,315,850	171,461
Employee benefits	55,364,155	53,326,737	55,595,605	(2,268,868)
Books and supplies	9,814,671	10,872,205	7,562,459	3,309,746
Services and operating expenditures	18,811,546	20,845,705	17,887,127	2,958,578
Other outgo	2,838,441	3,361,655	3,605,782	(244,127)
Capital outlay	6,150,834	9,981,277	9,717,911	263,366
Debt service				
Debt service - principal	673,124	673,124	673,124	-
Debt service - interest and other	526,876	526,876	526,876	-
Total expenditures ¹	213,976,871	217,526,774	212,163,367	5,363,407
Excess (Deficiency) of Revenues Over Expenditures	(9,315,450)	(3,588,065)	1,126,112	4,714,177
Other Financing Sources				
Transfers in	30,000	2,145,906	-	(2,145,906)
Net Change in Fund Balances	(9,285,450)	(1,442,159)	1,126,112	2,568,271
Fund Balance - Beginning	53,215,757	53,215,757	53,215,757	-
Fund Balance - Ending	\$ 43,930,307	\$ 51,773,598	\$ 54,341,869	\$ 2,568,271

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Salinas Union High School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 4,462,322	\$ 4,127,855	\$ 4,017,377
Interest	1,283,963	1,114,108	1,063,235
Difference between expected and actual experience	(1,920,038)	-	-
Changes of assumptions	4,015,373	812,848	-
Benefit payments	(1,372,538)	(1,365,545)	(1,313,024)
Net change in total OPEB liability	6,469,082	4,689,266	3,767,588
Total OPEB Liability - Beginning	35,139,777	30,450,511	26,682,923
Total OPEB Liability - Ending	<u>\$ 41,608,859</u>	<u>\$ 35,139,777</u>	<u>\$ 30,450,511</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

¹ The 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.

Salinas Union High School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.2737%	0.2645%	0.2632%
Proportionate share of the net OPEB liability	\$ 1,019,422	\$ 1,012,258	\$ 1,107,319
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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.

Salinas Union High School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.1547%	0.1473%	0.1454%	0.1353%	0.1340%	0.1289%
Proportionate share of the net pension liability	\$ 139,759,562	\$ 135,414,139	\$ 134,449,398	\$ 109,469,030	\$ 90,245,333	\$ 75,329,929
State's proportionate share of the net pension liability	76,248,171	77,530,928	79,539,128	62,318,766	47,729,833	45,487,463
Total	<u>\$ 216,007,733</u>	<u>\$ 212,945,067</u>	<u>\$ 213,988,526</u>	<u>\$ 171,787,796</u>	<u>\$ 137,975,166</u>	<u>\$ 120,817,392</u>
Covered payroll	<u>\$ 88,058,127</u>	<u>\$ 82,400,748</u>	<u>\$ 75,270,803</u>	<u>\$ 71,874,511</u>	<u>\$ 64,640,450</u>	<u>\$ 57,415,952</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>158.71%</u>	<u>164.34%</u>	<u>178.62%</u>	<u>152.31%</u>	<u>139.61%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.1890%	0.1886%	0.1810%	0.1753%	0.1727%	0.1604%
Proportionate share of the net pension liability	\$ 55,078,889	\$ 50,284,772	\$ 43,200,109	\$ 34,612,494	\$ 25,453,861	\$ 18,213,483
Covered payroll	<u>\$ 26,481,957</u>	<u>\$ 24,920,115</u>	<u>\$ 23,423,488</u>	<u>\$ 21,679,885</u>	<u>\$ 18,951,890</u>	<u>\$ 16,841,863</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>207.99%</u>	<u>201.78%</u>	<u>184.43%</u>	<u>159.65%</u>	<u>134.31%</u>	<u>108.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Salinas Union High School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 15,352,694	\$ 14,335,863	\$ 11,890,428	\$ 9,469,067	\$ 7,712,135	\$ 5,740,072
Less contributions in relation to the contractually required contribution	<u>15,352,694</u>	<u>14,335,863</u>	<u>11,890,428</u>	<u>9,469,067</u>	<u>7,712,135</u>	<u>5,740,072</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 89,781,836</u>	<u>\$ 88,058,127</u>	<u>\$ 82,400,748</u>	<u>\$ 75,270,803</u>	<u>\$ 71,874,511</u>	<u>\$ 64,640,450</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 5,314,815	\$ 4,783,171	\$ 3,870,343	\$ 3,253,054	\$ 2,568,416	\$ 2,230,827
Less contributions in relation to the contractually required contribution	<u>5,314,815</u>	<u>4,783,171</u>	<u>3,870,343</u>	<u>3,253,054</u>	<u>2,568,416</u>	<u>2,230,827</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 26,950,028</u>	<u>\$ 26,481,957</u>	<u>\$ 24,920,115</u>	<u>\$ 23,423,488</u>	<u>\$ 21,679,885</u>	<u>\$ 18,951,890</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

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 discount rate was changed from 3.5 percent to 2.2 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 3.87 percent to 3.50 percent since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - 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
June 30, 2020

Salinas Union High School District

Salinas Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Defense Naval Junior ROTC	[1]	N/A	\$ 102,474
U.S. Department of Education Passed Through California Department of Education (CDE):			
Title I, Part A, Basic	84.010	14329	3,056,460
Title I, Part A, ESSA School Improvement (CSI)	84.010	15438	414,863
Title I, Part C, Migrant Education - Regular	84.011	14326	1,504,754
Title I, Part C, Migrant Education - Summer	84.011	10005	47,495
Title II, Part A, Supporting Effective Instruction	84.367	14341	554,017
Title III, English Language Acquisition - IEP	84.365	15146	18,822
Title III, English Language Acquisition - LEP	84.365	14346	236,724
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	27,670
Adult Basic Education, ESL	84.002	14508	215,050
English Literacy and Civics	84.002	14109	70,150
Adult Secondary Education	84.002	13978	134,750
Department of Rehabilitation: Workability II	84.126	10006	185,038
Technology Secondary IIC, Section 131	84.048	14894	288,474
Special Education Cluster			
Special Education, Basic Local Assistance	84.027	13379	2,441,895
Total U.S. Department of Education			9,196,162
U.S. Department of Agriculture Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,991,323
Basic Breakfast	10.553	13525	21,587
Especially Needy Breakfast	10.553	13526	519,966
Meals Supplements - Snack	10.555	13391	134,626
Summer Food Program	10.559	13004	678,843
Food Distribution - Commodities	10.555	13391	343,420
Subtotal Child Nutrition Cluster			3,689,765
Total U.S. Department of Agriculture			3,689,765
Total Expenditures of Federal Awards			\$ 12,988,401

[1] Catalog number not available

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 five 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
Sandra Ocampo	President	2020
Phillip Tabera	Vice President	2022
Kristina Szaszy-Jones	Clerk	2022
Patty Padilla-Salsberg	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
Dr. Rosa E. Coronado	Assistant Superintendent, Human Resources

Salinas Union High School District

Schedule of Average Daily Attendance

Year Ended June 30, 2020

	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	4,562.44	4,562.44
Ninth through twelfth	10,667.64	10,667.64
Total regular ADA	15,230.08	15,230.08
Extended Year Special Education		
Seventh and eighth	0.31	0.31
Ninth through twelfth	1.99	2.51
Total extended year special education	2.30	2.82
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.77	1.77
Ninth through twelfth	5.83	5.83
Total special education, nonpublic, nonsectarian schools	7.60	7.60
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.09	0.23
Ninth through twelfth	0.55	0.86
Total extended year special education, nonpublic, Nonpublic, nonsectarian schools	0.64	1.09
Community Day School		
Seventh and eighth	5.26	5.26
Ninth through twelfth	14.47	14.47
Total community day school	19.73	19.73
Total ADA	15,260.35	15,261.32

Salinas Union High School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
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		65,053	180	N/A	Complied
Grade 10		65,053	180	N/A	Complied
Grade 11		65,053	180	N/A	Complied
Grade 12		65,053	180	N/A	Complied

Salinas Union High School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

Salinas Union High School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund ³				
Revenues	\$ 217,808,953	\$ 212,626,064	\$ 212,616,772	\$ 182,074,114
Other sources	-	1,586,305	3,776,128	19,764,917
Total Revenues and Other Sources	<u>217,808,953</u>	<u>214,212,369</u>	<u>216,392,900</u>	<u>201,839,031</u>
Expenditures	<u>216,324,712</u>	<u>212,163,367</u>	<u>227,731,280</u>	<u>188,555,576</u>
Increase/(Decrease) in Fund Balance	<u>1,484,241</u>	<u>2,049,002</u>	<u>(11,338,380)</u>	<u>13,283,455</u>
Ending Fund Balance	<u>\$ 31,826,768</u>	<u>\$ 30,342,527</u>	<u>\$ 28,293,525</u>	<u>\$ 39,631,905</u>
Available Reserves ^{2,4}	<u>\$ 26,348,273</u>	<u>\$ 33,946,919</u>	<u>\$ 30,446,343</u>	<u>\$ 16,220,037</u>
Available Reserves as a Percentage of Total Outgo ⁴	<u>12.18%</u>	<u>16.00%</u>	<u>13.79%</u>	<u>8.60%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 404,539,888</u>	<u>\$ 351,569,704</u>	<u>\$ 346,787,456</u>
Average Daily Attendance at P-2	<u>15,260</u>	<u>15,260</u>	<u>14,928</u>	<u>14,626</u>

The General Fund balance has decreased by \$9,289,378 over the past two years. The fiscal year 2020-2021 budget projects an increase of \$1,484,241 (4.9 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 and anticipates incurring an operating surplus during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$57,752,432 over the past two years.

Average daily attendance has increased by 634 over the past two years. No change of ADA is anticipated during fiscal year 2020-2021.

¹ Budget 2021 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 On behalf payments of \$6,909,926 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2019.

Salinas Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets				
Deposits and investments	\$ -	\$ 7,280,989	\$ 937,661	\$ 2,144,619
Receivables	245,294	1,050,492	3,339	12,476
Due from other funds	944,277	613	834	-
Prepaid expenditures	-	11,370	-	2,630
Stores inventories	-	34,713	-	-
Total assets	\$ 1,189,571	\$ 8,378,177	\$ 941,834	\$ 2,159,725
Liabilities and Fund Balances				
Liabilities				
Overdrafts	\$ 949,626	\$ -	\$ -	\$ -
Accounts payable	95,546	94,272	-	12,130
Due to other funds	72,074	159,825	941,834	-
Unearned revenue	58,918	-	-	-
Total liabilities	1,176,164	254,097	941,834	12,130
Fund Balances				
Nonspendable	-	46,083	-	2,630
Restricted	-	8,077,997	-	2,144,965
Committed	13,407	-	-	-
Assigned	-	-	-	-
Total fund balances	13,407	8,124,080	-	2,147,595
Total liabilities and fund balances	\$ 1,189,571	\$ 8,378,177	\$ 941,834	\$ 2,159,725

Salinas Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	\$ 58,195	\$ 9,317,072	\$ 19,738,536
Receivables	343	-	1,311,944
Due from other funds	-	-	945,724
Prepaid expenditures	-	-	14,000
Stores inventories	-	-	34,713
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 58,538</u>	<u>\$ 9,317,072</u>	<u>\$ 22,044,917</u>
Liabilities and Fund Balances			
Liabilities			
Overdrafts	\$ -	\$ -	\$ 949,626
Accounts payable	-	-	201,948
Due to other funds	-	-	1,173,733
Unearned revenue	-	-	58,918
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>2,384,225</u>
Fund Balances			
Nonspendable	-	-	48,713
Restricted	-	9,317,072	19,540,034
Committed	-	-	13,407
Assigned	58,538	-	58,538
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>58,538</u>	<u>9,317,072</u>	<u>19,660,692</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 58,538</u>	<u>\$ 9,317,072</u>	<u>\$ 22,044,917</u>

Salinas Union High School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds Year Ended June 30, 2020

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues				
Local Control Funding Formula	\$ 925,505	\$ -	\$ 600,000	\$ -
Federal sources	419,950	3,689,765	-	-
Other State sources	1,626,234	245,629	-	-
Other local sources	140,739	1,609,030	350,178	442,453
Total revenues	3,112,428	5,544,424	950,178	442,453
Expenditures				
Current				
Instruction	1,668,099	-	-	-
Instruction-related activities				
Supervision of instruction	481,049	-	-	-
School site administration	419,595	-	-	-
Pupil services				
Food services	-	5,712,202	-	-
All other pupil services	204,586	-	-	-
Administration				
All other administration	69,806	159,825	-	21,503
Plant services	270,400	239,101	-	-
Facility acquisition and construction	-	-	1,182,871	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	3,113,535	6,111,128	1,182,871	21,503
Excess (Deficiency) of Revenues Over Expenditures	(1,107)	(566,704)	(232,693)	420,950
Other Financing Sources				
Proceeds from bond issuance	-	-	-	-
Net Change in Fund Balances	(1,107)	(566,704)	(232,693)	420,950
Fund Balance - Beginning	14,514	8,690,784	232,693	1,726,645
Fund Balance - Ending	\$ 13,407	\$ 8,124,080	\$ -	\$ 2,147,595

Salinas Union High School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2020

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues			
Local Control Funding Formula	\$ -	\$ -	\$ 1,525,505
Federal sources	-	-	4,109,715
Other State sources	-	37,351	1,909,214
Other local sources	7,434	6,238,677	8,788,511
Total revenues	7,434	6,276,028	16,332,945
Expenditures			
Current			
Instruction	-	-	1,668,099
Instruction-related activities			
Supervision of instruction	-	-	481,049
School site administration	-	-	419,595
Pupil services			
Food services	-	-	5,712,202
All other pupil services	-	-	204,586
Administration			
All other administration	-	-	251,134
Plant services	2,033	-	511,534
Facility acquisition and construction	-	-	1,182,871
Debt service			
Principal	-	53,405,454	53,405,454
Interest and other	-	1,819,900	1,819,900
Total expenditures	2,033	55,225,354	65,656,424
Excess (Deficiency) of Revenues Over Expenditures	5,401	(48,949,326)	(49,323,479)
Other Financing Sources			
Proceeds from bond issuance	-	52,098,926	52,098,926
Net Change in Fund Balances	5,401	3,149,600	2,775,447
Fund Balance - Beginning	53,137	6,167,472	16,885,245
Fund Balance - Ending	\$ 58,538	\$ 9,317,072	\$ 19,660,692

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Salinas Union High School District (the District) under programs of the federal government for the year ended June 30, 2020. The information 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.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling \$343,420 in inventory.

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.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 46 days due to the pandemic. As a result, the District received credit for these 46 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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
June 30, 2020

Salinas Union High School District



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

To the Governing Board
Salinas Union High School District
Salinas, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas Union High School District, as of and for the year ended June 30, 2020, 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 January 17, 2021.

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) as a basis for designing 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 entity'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 financial statements. 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 January 17, 2021.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fresno, California
January 17, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the 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 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, 2020. 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 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.

Opinion on Each Major Federal Program

In our opinion, Salinas Union High School District's 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, 2020.

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 the 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.



Fresno, California
January 17, 2021



Independent Auditor's Report on State Compliance

To the 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 described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with 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
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No – See below
Determination of Funding for Nonclassroom-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 does not provide classes for grades K-3; 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.

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

Unmodified Opinion

In our opinion, Salinas Union High School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Erik Bailey LLP".

Fresno, California
January 17, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I, Part A, Basic	84.010
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

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

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.