SALINAS UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

SALINAS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salinas Union High School District
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas Union High School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 64, schedule of other postemployment benefits funding progress on page 65, schedule of the district's proportionate share of net pension liability on page 66, and the schedule of district contributions on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Salinas Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 15, 2016

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This section of Salinas Union High School District's (2015-2016) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. 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), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

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

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

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

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

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

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REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $62.5 million for the fiscal year ended June 30, 2016, and $51.2 million for the fiscal year ended June 30, 2015, an increase of $11.3 million. Of this amount, $28.2 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Dollar amounts in millions)	Governmental Activities		
	2016	2015 Restated	Variance
Assets			
Current and other assets	$ 189.9	$ 90.2	$ 99.7
Capital assets (Net of accumulated depreciation)	151.3	147.3	4.0
Total Assets	341.2	237.5	103.7
Deferred Outflows of Resources	27.6	8.2	19.4
Liabilities			
Current liabilities	20.7	16.5	4.2
Long-term obligations	147.3	59.7	87.6
Net pension liability	115.7	93.5	22.2
Total Liabilities	283.7	169.7	114.0
Deferred Inflows of Resources	22.6	24.8	(2.2)
Net Position			
Net investment in capital assets	113.7	109.0	4.7
Restricted	28.2	19.7	8.5
Unrestricted	(79.4)	(77.5)	(1.9)
Total Net Position	$ 62.5	$ 51.2	$ 11.3

The $62.5 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by $1.9 million.

Changes in Net Position

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

Table 2

(Dollar amounts in millions)	Governmental Activities		
	2016	2015	Variance
Revenues			
Program revenues:			
Charges for services	$ 2.4	$ 2.7	$ (0.3)
Operating grants and contributions	29.5	23.3	6.2
General revenues:			
Federal and State aid not restricted	110.8	95.0	15.8
Property taxes	45.2	37.7	7.5
Other general revenues	4.0	1.8	2.2
Total Revenues	191.9	160.5	31.4
Expenses			
Instruction-related	121.1	107.0	14.1
Student support services	25.2	21.7	3.5
Administration	11.2	7.6	3.6
Plant services	15.9	14.1	1.8
Other	7.2	6.3	0.9
Total Expenses	180.6	156.7	23.9
Change in Net Position	$ 11.3	$ 3.8	$ 7.5

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $180.6 million, as compared to $156.7 million in the prior year. The amount that our taxpayers financed for these activities through local taxes was $45.2 million because the cost was paid by those who benefited from the programs ($2.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($29.5 million). We paid for the remaining "public benefit" portion of our governmental activities with $110.8 million in State funds and $4.0 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 - regular program instruction, instruction-related activities, home-to-school transportation services, other pupil services, general administration, plant services and other activities. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits provided by that function.

Table 3

(Dollar amounts in millions)	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	$ 121.1	$ 101.0	$ 107.0	$ 90.6
Student support services	25.2	17.8	21.7	14.8
Administration	11.2	9.6	7.6	6.4
Plant services	15.9	14.1	14.1	13.8
Other	7.2	6.2	6.3	5.1
Total	$ 180.6	$ 148.7	$ 156.7	$ 130.7

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $169.3 million while the prior year reported $72.0 million, which is an increase of $97.3 million (Table 4).

Table 4

(Dollar amounts in millions)	Balances		
	June 30, 2016	June 30, 2015	Variance
Major Governmental			
General	$ 52.2	$ 47.3	$ 4.9
Building	94.4	9.5	84.9
Non-Major Governmental			
Adult Education	- [1]	- [1]	-
Cafeteria	9.5	9.0	0.5
Deferred Maintenance	1.3	1.3	-
Capital Facilities	0.9	1.4	(0.5)
County School Facilities	- [1]	- [1]	-
Special Reserve Capital Projects	0.1	0.3	(0.2)
Bond Interest and Redemption	10.9	5.0	5.9
Total	$ 169.3	$ 73.8	$ 95.5

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

The General Fund is the District's principal operating fund. The fund balance in the General Fund increased $4.9 million to $52.2 million due primarily to increased State funding. The increase in Building Fund of $84.9 million is primarily due to the issuance of General Obligation Bonds and General Obligation Bond Anticipation Notes.

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 30, 2016. 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 an increase in fund balance of approximately $8.2 million. Although revenues and transfers in were $1.3 million more than expected, expenditures and transfers out were $4.6 million more than expected, resulting in an increase to the fund of $4.9 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $147.3 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2016, the District's Capital Assets were $151.3 million. This amount represents a net increase (including additions, deductions and depreciation) of $4.0 million from last year (Table 5).

Table 5

(Dollar amounts in millions)	Governmental Activities		
	2016	2015	Variance
Land and construction in process	$ 45.4	$ 39.8	$ 5.6
Land improvements	8.3	8.3	-
Buildings and improvements	93.1	95.8	(2.7)
Furniture and equipment	4.5	3.4	1.1
Total	$ 151.3	$ 147.3	$ 4.0

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

Long-Term Obligations

At the end of this year, the District had $147.3 million in obligations outstanding versus $59.7 million last year, an increase of $87.6 million. The long-term obligations of the District include the following:

Table 6

(Dollar amounts in millions)	Governmental Activities		
	2016	2015	Variance
General obligation bonds	$ 132.0	$ 47.7	$ 84.3
Compensated absences	1.2	1.1	0.1
Other postemployment benefits	14.1	10.9	3.2
Total	$ 147.3	$ 59.7	$ 87.6

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

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

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as of June 30, 2015, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2016, the District reported Deferred Outflows from pension activities of $27.6 million, Deferred Inflows from pension activities of $22.6 million, and a Net Pension Liability of $115.7 million.

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

FOR THE FUTURE

The State of California continues to financially support schools through the Local Control Funding Formula (LCFF). The LCFF uses a 3-tier calculation involving base grants plus supplemental grants and concentrated grants. Supplemental and Concentrated grants are unique to each district as they are based on unduplicated count of English Learners, Foster Youth and pupils approved for Free/Reduced price meals. The District's unduplicated count equals 72.11 percent. The Governor proposes to fully fund the LCFF by 2020-2021 by partially funding it a little each year. In the meantime, the difference between the old funding model and the new funding model is known as the gap. The estimated GAP funding for 2016-2017 is 54.18 percent, which translates into an increase of five percent; net increase per ADA is $471.51.

One of the consequences of last year's State Budget Act and the passage of Proposition 2 (2014) was the addition of a requirement that would place limit on the level of reserves and school district could maintain when certain conditions exist. Based on the enacted State Budget, all of the conditions for implementation of those limitations will not be met in 2015-2016 and, therefore, the cap will not be triggered.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SALINAS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	$ 182,575,233
Receivables	7,239,641
Prepaid Expense	140,540
Nondepreciable capital assets	45,369,837
Capital assets being depreciated	241,212,320
Accumulated depreciation	(135,298,036)
Total Assets	341,239,535
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	27,622,971
LIABILITIES	
Overdrafts	977,603
Accounts payable	17,830,991
Unearned revenue	1,876,105
Long-term obligations:	
Current portion of long-term obligations other than pensions	13,465,000
Noncurrent portion of long-term obligations other than pensions	133,882,999
Total Long-Term Obligations	147,347,999
Aggregate net pension liability	115,699,194
Total Liabilities	283,731,892
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	22,591,011
NET POSITION	
Invested in capital assets, net of related debt	113,663,457
Restricted for:	
Debt service	10,970,943
Capital projects	885,889
Educational programs	6,929,751
Other activities	9,457,762
Unrestricted	(79,368,199)
Total Net Position	$ 62,539,603

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

SALINAS UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 97,579,612	$ 305,871	$ 15,853,535	$ 27
Instruction-related activities:				
Supervision of instruction	12,427,927	53,746	3,400,418	-
Instructional library, media and technology	1,030,434	342	62,462	-
School site administration	10,053,539	30,030	408,129	-
Pupil services:				
Home-to-school transportation	6,182,823	21,186	24,910	-
Food services	5,102,745	1,722,508	3,196,266	-
All other pupil services	13,944,375	62,334	2,403,292	-
General administration:				
Data processing	5,161,211	-	-	-
All other general administration	6,051,495	126,442	1,483,829	-
Plant services	15,879,521	98,578	1,683,884	-
Ancillary services	786,538	-	16,195	-
Community services	50,097	-	-	-
Interest on long-term obligations	3,421,948	-	-	-
Other outgo	2,934,818	-	987,963	-
Total Governmental-Type Activities	$ 180,607,083	$ 2,421,037	$ 29,520,883	$ 27

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Transfers between agencies
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (81,420,179)
(8,973,763)
(967,630)
(9,615,380)
(6,136,727)
(183,971)
(11,478,749)
(5,161,211)
(4,441,224)
(14,097,059)
(770,343)
(50,097)
(3,421,948)
(1,946,855)
(148,665,136)
30,609,215
14,415,489
164,854
110,790,474
552,849
87,642
3,334,523
159,955,046
11,289,910
51,249,693
$ 62,539,603

SALINAS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 65,066,185	$ 94,287,561	$ 23,221,487
Receivables	5,774,243	214,883	1,250,515
Due from other funds	380,798	-	894,765
Prepaid expenditures	140,540	-	-
Total Assets	$ 71,361,766	$ 94,502,444	$ 25,366,767
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ 977,603
Accounts payable	16,452,761	123,200	1,255,030
Due to other funds	894,765	-	380,798
Unearned revenue	1,853,000	-	23,105
Total Liabilities	19,200,526	123,200	2,636,536
FUND BALANCES			
Nonspendable	162,140	-	-
Restricted	6,929,751	94,379,244	21,314,594
Committed	-	-	1,342,819
Assigned	31,020,999	-	72,818
Unassigned	14,048,350	-	-
Total Fund Balances	52,161,240	94,379,244	22,730,231
Total Liabilities and Fund Balances	$ 71,361,766	$ 94,502,444	$ 25,366,767

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

Total Governmental Funds
$ 182,575,233
7,239,641
1,275,563
140,540
$ 191,230,977
$ 977,603
17,830,991
1,275,563
1,876,105
21,960,262
162,140
122,623,589
1,342,819
31,093,817
14,048,350
169,270,715
$ 191,230,977

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SALINAS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 169,270,715**
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	$286,582,157	
Accumulated depreciation is	(135,298,036)	
Total capital assets		151,284,121
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		10,280,551
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		4,596,682
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(8,228,023)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(53,295)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(1,563,955)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(115,699,194)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	84,613,247	
Bond anticipation notes	45,174,445	
Bond premiums	2,212,216	
Compensated absences	1,190,490	
Other postemployment benefits	14,157,601	
Total long-term obligations		(147,347,999)
Total Net Position - Governmental Activities		**$ 62,539,603**

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

SALINAS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	$ 130,162,864	$ -
Federal sources	10,305,528	-
Other state sources	18,651,607	-
Other local sources	8,515,725	592,813
Total Revenues	167,635,724	592,813
EXPENDITURES		
Current		
Instruction	92,347,685	-
Instruction-related activities:		
Supervision of instruction	11,816,849	-
Instructional library, media and technology	990,127	-
School site administration	9,249,387	-
Pupil Services:		
Home-to-school transportation	4,467,606	-
Food services	18,805	-
All other pupil services	13,642,116	-
General administration:		
Data processing	5,019,310	-
All other general administration	5,107,083	-
Plant services	14,418,307	3,250
Facility acquisition and construction	1,949,876	5,089,564
Ancillary services	781,818	-
Community services	50,093	-
Other outgo	2,934,818	-
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	162,793,880	5,092,814
Excess (Deficiency) of Revenues Over Expenditures	4,841,844	(4,500,001)
Other Financing Sources (Uses):		
Transfers in	27	-
Other sources	-	89,454,505
Transfers out	-	-
Net Financing Sources (Uses)	27	89,454,505
NET CHANGE IN FUND BALANCES	4,841,871	84,954,504
Fund Balance - Beginning, as restated	47,319,369	9,424,740
Fund Balance - Ending	$ 52,161,240	$ 94,379,244

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

Non-Major Governmental Funds	Total Governmental Funds
$ 1,220,430	$ 131,383,294
3,632,262	13,937,790
2,019,638	20,671,245
17,136,238	26,244,776
24,008,568	192,237,105
1,468,152	93,815,837
340,032	12,156,881
-	990,127
366,746	9,616,133
-	4,467,606
4,508,550	4,527,355
133,075	13,775,191
-	5,019,310
394,979	5,502,062
495,111	14,916,668
2,071,583	9,111,023
-	781,818
-	50,093
-	2,934,818
9,090,000	9,090,000
2,245,853	2,245,853
21,114,081	189,000,775
2,894,487	3,236,330
-	27
2,795,203	92,249,708
(27)	(27)
2,795,176	92,249,708
5,689,663	95,486,038
17,040,568	73,784,677
$ 22,730,231	$ 169,270,715

SALINAS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds		$ 95,486,038
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	$ 10,605,118	
Depreciation expense	(6,614,709)	
Net Expense Adjustment		3,990,409
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(390)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of additional accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds.		(1,176,095)
In the Statement of Activities, compensated absences (vacations), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $145,485.		(145,485)
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.		(536,545)

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

SALINAS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2016

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	
Sale of general obligation bonds	$ (44,995,149)
Sale of bond anticipation notes	(44,998,099)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. Discount amortization during the year was:	
Premiums on issuance	(2,256,460)
Amortization of premiums	44,244
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	9,090,000
In governmental funds, Postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(3,212,558)
Change in Net Position of Governmental Activities	**$ 11,289,910**

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

SALINAS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Private-Purpose Trust Scholarships	Agency Student Body
ASSETS		
Deposits and investments	$ 211,524	$ 1,129,383
Receivables	1,454	-
Total Assets	$ 212,978	$ 1,129,383
LIABILITIES		
Accounts payable	$ 2,300	$ -
Due to student groups	-	1,129,383
Total Liabilities	2,300	$ 1,129,383
NET POSITION		
Restricted for scholarships	$ 210,678	

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

SALINAS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust Scholarships
ADDITIONS	
Contributions	$ 40,890
Interest	1,831
Total Additions	42,721
DEDUCTIONS	
Scholarships awarded	45,000
Total Deductions	45,000
Change in Net Position	(2,279)
Net Position - Beginning	212,957
Net Position - Ending	$ 210,678

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Salinas Union High School District (the District) was established in 1868 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District currently operates four middle schools and four high schools as well as one continuation high school, one alternative school of choice, one adult school, one community day school and a regional occupational program, for a total of thirteen schools.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in assets and fund balance of $27,949,029 and revenue of $261,682.

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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues 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 State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to 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 approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

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

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 funds are the Scholarship Private Purpose Trust and the Student Body Agency. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

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

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

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

Accounts Payable and Long-Term Obligations

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

Debt Premiums

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $28,244,345 of restricted net position.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

Estimates

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

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued 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 Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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 Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	$ 182,575,233
Less overdraft	977,603
Net governmental activities	181,597,630
Fiduciary funds	1,340,907
Total Deposits and Investments	$ 182,938,537

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	$ 1,182,048
Cash in revolving	21,600
Investments	181,734,889
Total Deposits and Investments	$ 182,938,537

The Adult Education Fund ended the fiscal year with a deficit cash in county balance of $977,603.

Policies and Practices

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

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

General Authorizations

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

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

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 181,673,644	$ -	$ 181,673,644	$ -	$ -

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, 2016, $1,022,200 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consist of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Federal Government					
Categorical aid	$ 2,873,501	$ -	$ 770,877	$ 3,644,378	$ -
State Government					
State grants and entitlements	2,255,629		40,763	2,296,392	
Local Sources	645,113	214,883	438,875	1,298,871	1,454
Total	$ 5,774,243	$ 214,883	$ 1,250,515	$ 7,239,641	$ 1,454

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 33,659,214	$ -	$ -	$ 33,659,214
Construction in progress	6,128,801	8,111,676	2,529,854	11,710,623
Total Capital Assets Not Being Depreciated	39,788,015	8,111,676	2,529,854	45,369,837
Capital Assets being depreciated				
Land improvements	36,366,610	983,256	-	37,349,866
Buildings and improvements	189,835,761	2,164,135	-	191,999,896
Furniture and equipment	9,999,653	1,875,905	13,000	11,862,558
Total Capital Assets Being Depreciated	236,202,024	5,023,296	13,000	241,212,320
Less Accumulated Depreciation				
Land improvements	28,046,380	1,020,495	-	29,066,875
Buildings and improvements	94,048,717	4,863,702	-	98,912,419
Furniture and equipment	6,600,840	730,512	12,610	7,318,742
Total Accumulated Depreciation	128,695,937	6,614,709	12,610	135,298,036
Governmental Activities Capital Assets, Net	$ 147,294,102	$ 6,520,263	$ 2,530,244	$ 151,284,121

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 2,976,619
School site administration	264,588
Home-to-school transportation	1,190,648
Food services	529,177
Data processing	330,736
All other general administration	66,147
Plant services	1,256,794
Total Depreciation Expenses Governmental Activities	$ 6,614,709

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 380,798	$ 894,765
Non-Major Governmental Funds		
Adult Education	894,765	146,314
Cafeteria	-	234,484
Total Non-Major Governmental Funds	894,765	380,798
Total All Governmental Funds	$ 1,275,563	$ 1,275,563

The General Fund owes the Adult Education Fund for prior fund contributions.	$ 894,765
The Cafeteria Fund owes the General Fund for indirect costs.	234,484
The Adult Education Fund owes the General Fund for indirect costs.	146,314
Total	$ 1,275,563

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2016, consisted of the following:

The County School Facilities Fund transferred to the General Fund to close the fund.	$ 27

NOTE 7 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2016, consisted of the following:

	General Fund
Conferences and lodging	$ 140,540

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Vendor payables	$ 4,568,801	$ 123,200	$ 1,236,196	$ 5,928,197	$ 2,300
Deferred payroll	4,823,830	-	18,834	4,842,664	-
State apportionment	2,334,690	-	-	2,334,690	-
Health insurance	1,092,503	-	-	1,092,503	-
Retroactive payroll	3,632,937	-	-	3,632,937	-
Total	$ 16,452,761	$ 123,200	$ 1,255,030	$ 17,830,991	$ 2,300

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
State categorical aid	$ 1,069,916	$ -	$ 1,069,916
Local assistance	783,084	23,105	806,189
Total	$ 1,853,000	$ 23,105	$ 1,876,105

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	$ 47,708,349	$ 45,994,898	$ 9,090,000	$ 84,613,247	$ 13,465,000
Bond anticipation notes	-	45,174,445	-	45,174,445	-
Bond premiums	-	2,256,460	44,244	2,212,216	-
Compensated absences	1,045,005	145,485	-	1,190,490	-
Other postemployment benefits	10,945,043	4,550,290	1,337,732	14,157,601	-
Total	$ 59,698,397	$ 98,121,578	$ 10,471,976	$ 147,347,999	$ 13,465,000

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

Bonded Debt

2002 Election Series B General Obligation Bonds, Measure F

On August 29, 2006, the District issued Series B General Obligation Bonds, under Measure F, in the amount of $17,000,000 to repair, rehabilitate, renovate, replace and equip portions of the District's existing educational facilities. The General Obligation Bonds are authorized pursuant to the special election of the registered voters held on March 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 bonds.

2002 Election Series C Refunding General Obligation Bonds, Measure F

On August 29, 2006, the District issued Refunding Series C General Obligation Bonds, under Measure F, in the amount of $27,126,884 to partially refund the previously issued Measure F Series A issuance. The bonds were issued as capital appreciation bonds.

2002 Election, Series A General Obligation Bonds, Measure M

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

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

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

2014 Election, Series A General Obligation Bonds, Measure B

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

The outstanding general obligation bonded debt is as follows:

Bond Issue	Issue Date	Interest Rate %	Bonds Outstanding July 1, 2015	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2016
Measure F						
Series B	8/29/06	4.25-5.00	$ 12,565,000	$ -	$ 550,000	$ 12,015,000
Refunding Series C	8/29/06	3.77-4.37	15,860,000	-	4,720,000	11,140,000
Measure M						
Series A	4/10/03	5.50-5.60	8,891,313	506,672	-	9,397,985
Refunding Series A	8/29/06	3.71-4.46	10,392,036	439,516	3,820,000	7,011,552
Measure B						
Series A	11/3/15	2.00-4.58	-	45,048,710	-	45,048,710
Total			$ 47,708,349	$ 45,994,898	$ 9,090,000	$ 84,613,247

Debt Service Requirements to Maturity

The bonds mature as follows:

2002 Election Series B Current Interest Bonds, Measure F

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 575,000	$ 573,268	$ 1,148,268
2018	600,000	550,269	1,150,269
2019	625,000	526,269	1,151,269
2020	650,000	500,488	1,150,488
2021	675,000	473,187	1,148,187
2022-2026	3,890,000	1,852,250	5,742,250
2027-2031	5,000,000	774,000	5,774,000
Total	$ 12,015,000	$ 5,249,731	$ 17,264,731

2006 Series C Refunding Current Interest Bonds

Fiscal Year	Principal	Maturity	Total
2017	$ 5,045,000	$ 552,406	$ 5,597,406
2018	5,570,000	300,156	5,870,156
2019	525,000	21,656	546,656
Total	$ 11,140,000	$ 874,218	$ 12,014,218

2002 Election, Series A Capital Appreciation Bonds, Measure M

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2024	$ 1,973,340	$ 911,660	$ 2,885,000
2025	1,921,972	1,068,028	2,990,000
2026	1,874,332	1,220,668	3,095,000
2027	1,834,836	1,375,164	3,210,000
2028	1,793,505	1,531,495	3,325,000
Total	$ 9,397,985	$ 6,107,015	$ 15,505,000

2006 Refunding Series A Capital Appreciation Bonds

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2017	$ 4,050,000	$ -	$ 4,050,000
2018	2,961,552	198,448	3,160,000
Total	$ 7,011,552	$ 198,448	$ 7,210,000

2014 Election Series A Current Interest Bonds, Measure B

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 3,795,000	$ 1,199,734	$ 4,994,734
2018	3,300,000	1,665,650	4,965,650
2019	2,700,000	1,566,650	4,266,650
2020	2,980,000	1,458,650	4,438,650
2021	3,305,000	1,309,650	4,614,650
2022-2026	-	5,722,000	5,722,000
2027-2031	-	5,722,000	5,722,000
2031-2036	-	5,722,000	5,722,000
2037-2041	5,780,000	5,214,500	10,994,500
2041-2046	9,825,000	3,563,000	13,388,000
2047-2050	11,560,000	1,203,000	12,763,000
Total	$ 43,245,000	$ 34,346,834	$ 77,591,834

2014 Election Series A Capital Appreciation Bonds, Measure B

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2031	$ 255,300	$ 204,700	$ 460,000
2032	274,470	250,530	525,000
2033	292,640	297,360	590,000
2034	310,728	349,272	660,000
2035	328,104	406,896	735,000
2036	342,468	467,532	810,000
Total	$ 1,803,710	$ 1,976,290	$ 3,780,000

Bond Anticipation Notes

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

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2021	$ 45,174,445	$ 4,500,555	$ 49,675,000

Compensated Absences

The long-term portion of accumulated compensated absences for the District at June 30, 2016, amounted to $1,190,490.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was $4,057,763, and contributions made by the District during the year were $747,798. Interest on the net OPEB obligation and adjustments to the annual required contribution were $492,527 and $(589,934), respectively, which resulted in an increase to the net OPEB obligation of $3,212,558. As of June 30, 2016, the net OPEB obligation was $14,157,601. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 21,600	$ -	$ -	$ 21,600
Prepaid expenditures	140,540	-	-	140,540
Total Nonspendable	162,140	-	-	162,140
Restricted				
Legally restricted programs	6,929,751	-	9,457,762	16,387,513
Capital projects	-	94,379,244	885,889	95,265,133
Debt service	-	-	10,970,943	10,970,943
Total Restricted	6,929,751	94,379,244	21,314,594	122,623,589
Committed				
Deferred maintenance program	-	-	1,342,819	1,342,819
Assigned				
Postemployment benefits	11,466,245	-	-	11,466,245
Construction/Tech Projects	15,977,783	-	-	15,977,783
Rancho San Juan High School	505,000	-	-	505,000
Board one percent reserve	1,627,939	-	-	1,627,939
Site formula fund carryover	123,498	-	-	123,498
Supp/concentration carryover	1,320,534	-	-	1,320,534
Capital projects	-	-	72,818	72,818
Total Assigned	31,020,999	-	72,818	31,093,817
Unassigned				
Reserve for economic uncertainties	4,883,816	-	-	4,883,816
Remaining unassigned	9,164,534	-	-	9,164,534
Total Unassigned	14,048,350	-	-	14,048,350
Total	$ 52,161,240	$ 94,379,244	$ 22,730,231	$ 169,270,715

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2016, the following District major fund exceeded the budgeted amounts as follows:

	Expenditures and Other Uses		
Fund	Budget	Actual	Excess
General			
Certificated salaries	$ 68,393,808	$ 71,751,897	$ 3,358,089
Classified salaries	$ 20,936,968	$ 21,761,814	$ 824,846
Employee benefits	$ 31,556,398	$ 35,692,994	$ 4,136,596
Other outgo	$ 2,491,806	$ 2,554,471	$ 62,665
Capital Outlay	$ 2,977,751	$ 3,217,710	$ 239,959

NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Salinas Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 69 retirees and beneficiaries currently receiving benefits and 1,153 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the member bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed $747,798 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 4,057,763
Interest on net OPEB obligation	492,527
Adjustment to annual required contribution	(589,934)
Annual OPEB cost	3,960,356
Contributions made	(747,798)
Increase in net OPEB obligation	3,212,558
Net OPEB obligation, beginning of year	10,945,043
Net OPEB obligation, end of year	$ 14,157,601

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2016	$ 3,960,356	$ 747,798	19%	$ 14,157,601
2015	2,495,702	794,349	32%	10,945,043
2014	2,505,214	845,098	34%	9,243,690

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2016	$ -	$24,604,721	$24,604,721	0%	$96,472,199	25.50%

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

Actuarial Methods and Assumptions

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

In the October 1, 2016, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were set at four percent. The UAAL is being amortized at a level percent method. The remaining amortization period at July 1, 2016, was 23 years

NOTE 14 - 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, 2016, 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 2016, the District participated in the Monterey County Schools Workers' Compensation JPA (MCSWC), an insurance purchasing pool. The intent of the MCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the MCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MCSWC. 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 MCSWC.

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 15 - 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, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 90,245,333	$ 18,030,153	$ 15,974,968	$ 6,971,093
CalPERS	25,453,861	9,592,818	6,616,043	2,911,072
Total	$ 115,699,194	$ 27,622,971	$ 22,591,011	$ 9,882,165

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, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically 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, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were $7,712,135.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 90,245,333
State's proportionate share of the net pension liability associated with the District	47,729,833
Total	$ 137,975,166

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.1340 percent and 0.1289 percent, resulting in a net increase in the proportionate share of 0.0051 percent.

For the year ended June 30, 2016, the District recognized pension expense of $6,971,093. In addition, the District recognized pension expense and revenue of $3,697,212 for support provided by the State. At June 30, 2016, 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	$ 7,712,135	$ -
Net change in proportionate share of net pension liability	3,207,531	-
Difference between projected and actual earnings on pension plan investments	7,110,487	14,466,947
Differences between expected and actual experience in the measurement of the total pension liability	-	1,508,021
Total	$ 18,030,153	$ 15,974,968

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(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 Outflows/(Inflows) of Resources
2017	$ (3,044,694)
2018	(3,044,694)
2019	(3,044,694)
2020	1,777,622
Total	$ (7,356,460)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability 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 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 283,252
2018	283,252
2019	283,252
2020	283,252
2021	283,251
Thereafter	283,251
Total	$ 1,699,510

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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 (7.60 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 (6.60%)	$ 136,263,428
Current discount rate (7.60%)	$ 90,245,333
1% increase (8.60%)	$ 52,000,582

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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically 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, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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, 2016, are presented above and the total District contributions were $2,568,416.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $25,453,861. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.1727 percent and 0.1604 percent, resulting in a net increase in the proportionate share of 0.0123 percent.

For the year ended June 30, 2016, the District recognized pension expense of $2,911,072. At June 30, 2016, 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	$ 2,568,416	$ -
Net change in proportionate share of net pension liability	1,389,151	-
Difference between projected and actual earnings on pension plan investments	4,180,525	5,052,088
Differences between expected and actual experience in the measurement of the total pension liability	1,454,726	-
Changes of assumptions	-	1,563,955
Total	$ 9,592,818	$ 6,616,043

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(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 Outflows/(Inflows) of Resources
2017	$ (638,898)
2018	(638,898)
2019	(638,898)
2020	1,045,131
Total	$ (871,563)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability 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 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 441,352
2018	441,352
2019	397,218
Total	$ 1,279,922

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	$ 41,428,279
Current discount rate (7.65%)	$ 25,453,861
1% increase (8.65%)	$ 12,170,065

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 $4,081,568 (7.12589 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.

NOTE 16 - 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, 2016.

Litigation

The District is currently involved in various litigation. In the opinion of legal counsel, it is too early to determine the likelihood of unfavorable outcomes in each case or a range of potential loss, however, in the opinion of management 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, 2016.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Alisal High School Relocatable xlassroom and restroom	$ 172,049	July 2016
Alisal High School storefront windows and doors	457,216	July 2016
Mount Toro relocatable classroom	82,000	August 2016
High School Number 5	75,504,427	June 2018
Total	$ 76,215,692	

NOTE 17 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Monterey County Schools Insurance Group (MCSIG), Monterey County Schools Workers' Compensation (MCSWC), 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 18 - RESTATEMENT OF PRIOR YEAR FUND BALANCE AND NET POSITION

Beginning fund balance in the Bond Interest and Redemption Fund was restated for an error in reporting prior tax revenues. As a result, the effect on the current fiscal year is as follows:

Bond Interest and Redemption Non-Major Governmental Fund	
Fund Balance - Beginning	$ 3,241,708
Restatement - prior tax revenues	1,812,544
Fund Balance - Beginning as Restated	$ 5,054,252
Net Position, Beginning per prior year audited financial statements	$ 49,437,149
Restatement to Bond Interest and Redemption Fund	1,812,544
Net Position - Beginning, as restated	$ 51,249,693

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REQUIRED SUPPLEMENTARY INFORMATION

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SALINAS UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$127,754,596	$129,887,151	$130,162,864	$ 275,713
Federal sources	11,563,770	11,812,737	10,305,528	(1,507,209)
Other state sources	11,822,385	13,503,210	18,651,607	5,148,397
Other local sources	6,654,517	7,565,808	8,515,725	949,917
Total Revenues [1]	157,795,268	162,768,906	167,635,724	4,866,818
EXPENDITURES				
Current				
Certificated Salaries	65,398,678	68,393,808	71,751,897	(3,358,089)
Classified salaries	19,659,979	20,936,968	21,761,814	(824,846)
Employee benefits	30,649,855	31,556,398	35,692,994	(4,136,596)
Books and supplies	8,550,526	11,217,582	9,757,998	1,459,584
Services and operating expenditures	14,151,859	20,072,355	18,056,996	2,015,359
Other outgo	2,372,965	2,491,806	2,554,471	(62,665)
Capital outlay	1,506,933	2,977,751	3,217,710	(239,959)
Total Expenditures [1]	142,290,795	157,646,668	162,793,880	(5,147,212)
Excess (Deficiency) of Revenues Over Expenditures	15,504,473	5,122,238	4,841,844	(280,394)
Other Financing Sources (Uses):				
Transfers in	2,410,683	3,558,179	27	(3,558,152)
Transfers out	-	(505,000)	-	505,000
Net Financing Sources (Uses)	2,410,683	3,053,179	27	(3,053,152)
NET CHANGE IN FUND BALANCES	17,915,156	8,175,417	4,841,871	(3,333,546)
Fund Balance - Beginning	47,319,369	47,319,369	47,319,369	-
Fund Balance - Ending	$ 65,234,525	$ 55,494,786	$ 52,161,240	$ (3,333,546)

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

See accompanying notes to required supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2016	$ -	$ 24,604,721	$ 24,604,721	0%	$ 96,472,199	25.50%
October 1, 2014	$ -	$ 18,004,553	$ 18,004,553	0%	$ 74,065,324	24.31%
May 1, 2012	$ -	$ 15,258,237	$ 15,258,237	0%	$ 74,106,438	20.59%

See accompanying notes to required supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.1340%	0.1289%
District's proportionate share of the net pension liability	$ 90,245,333	$ 75,329,929
State's proportionate share of the net pension liability associated with the District	47,729,833	45,487,463
Total	$ 137,975,166	$ 120,817,392
District's covered - employee payroll	$ 63,853,727	$ 57,415,952
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	141.33%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.1727%	0.1604%
District's proportionate share of the net pension liability	$ 25,453,861	$ 18,213,483
District's covered - employee payroll	$ 21,669,527	$ 16,841,863
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	117.46%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying notes to required supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 7,712,135	$ 5,740,072
Contributions in relation to the contractually required contribution	7,712,135	5,740,072
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 71,874,511	$ 64,640,450
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 2,568,416	$ 2,230,827
Contributions in relation to the contractually required contribution	2,568,416	2,230,827
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 21,679,885	$ 18,951,890
Contributions as a percentage of covered - employee payroll	11.847%	11.771%

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

See accompanying notes to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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.

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.

NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

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Supplementary Information

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SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
No Child Left Behind			
Title I, Part A, Basic	84.010	14329	$ 4,541,722
Title I, Part C, Migrant Education Programs			
Title I, Part C, Migrant Education - Regular	84.011	14326	1,955,803
Title I, Part C, Migrant Education - Summer	84.011	10005	268,589
Subtotal Title I, Part C Migrant Education Programs			2,224,392
Title I, Part G, AP Fee Reimbursement	84.330	14831	50,266
Title II, Part A, Teacher Quality	84.367	14341	483,034
Title III, Immigrant Education Program	84.365	15146	27,649
Title III, Limited English Proficient	84.365	14346	400,655
Adult Education Programs			
Adult Basic Education, ESL	84.002A	14508	130,363
English Literacy and Civics	84.002A	14109	59,697
Adult Secondary Education	84.002	13978	274,999
Institutionalized Adults	84.002	13971	1,698
Subtotal Adult Education Programs			466,757
Department of Rehabilitation: Workability II	84.126	10006	108,103
Technology Secondary IIC, Section 131	84.048A	14894	316,548
Special Education, IDEA Basic	84.027	13379	2,027,604
Passed Through California State University, Monterey Bay			
Teacher Quality Partnership Grant	84.336	N/A	6,597
Total U.S. Department of Education			10,653,327
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through CDE:			
Medi-Cal Billing Option	93.778	10013	110,807
Medi-Cal Administrative Activities	93.778	10060	8,151
Total U.S. Department of Health and Human Services			118,958

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	$ 2,437,285
Especially Needy Breakfast	10.553	13526	704,189
Meals Supplements - Snack	10.555	13391	24,031
Food Distribution - Commodities	10.555	13391	107,993
Subtotal Child Nutrition Cluster			3,273,498
Total U.S. Department of Agriculture			3,273,498
Total Expenditures of Federal Awards			$ 14,045,783

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Kathryn Ramirez	President	2019
Patty Padilla-Salsberg	Vice President	2019
Carlos Rubio	Clerk	2017
Lila Cann	Member	2017
Evamarie Martinez	Member	2017
Sandra Ocampo	Member	2019
Phillip Tabera	Member	2017

ADMINISTRATION

Tim Vanoli	Superintendent
Dan Burns	Associate Superintendent, Instructional Services
Ana Aguillon	Manager of Business Services/CBO
Randall Bangs	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	4,319.16	4,317.73
Ninth through twelfth	9,519.12	9,453.07
Total Regular ADA	13,838.28	13,770.80
Extended Year Special Education		
Seventh and eighth	0.24	2.01
Ninth through twelfth	3.05	11.91
Total Extended Year Special Education	3.29	13.92
Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.32	2.53
Ninth through twelfth	1.78	1.95
Total Special Education, Nonpublic, Nonsectarian Schools	4.10	4.48
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.15	0.15
Ninth through twelfth	0.44	0.52
Total Extended Year Special Education - Nonpublic, Nonsectarian Schools	0.59	0.67
Community Day School		
Seventh and eighth	4.57	5.10
Ninth through twelfth	17.35	16.97
Total Community Day School	21.92	22.07
Total ADA	13,868.18	13,811.94

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-1987 Minutes Requirement	2015-2016 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000				
Grade 7		61,075	180	N/A	Complied
Grade 8		61,075	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,980	180	N/A	Complied
Grade 10		64,980	180	N/A	Complied
Grade 11		64,980	180	N/A	Complied
Grade 12		64,980	180	N/A	Complied

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017[1,3]	2016[3]	2015[3]	2014[3]
GENERAL FUND				
Revenues and other sources	$164,514,358	$167,374,042	$137,847,257	$128,572,095
Other sources and transfers in	438,190	3,411,395	1,268,443	-
Total Revenues and Other Sources[4]	164,952,548	170,785,437	139,115,701	128,572,095
Expenditures	159,653,955	162,793,880	137,340,541	123,928,821
Other uses and transfers out	-	505,000	16,446,921	-
Total Expenditures and Other Uses[4]	159,653,955	163,298,880	153,787,462	123,928,821
INCREASE/(DECREASE) IN FUND BALANCE	$ 5,298,593	$ 7,486,557	$ (14,671,761)	$ 4,643,274
ENDING FUND BALANCE	$ 29,510,804	$ 24,212,211	$ 16,725,654	$ 31,397,416
AVAILABLE RESERVES[2]	$ 17,498,668	$ 14,048,350	$ 9,056,719	$ 26,256,915
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	10.96%	8.60%	5.89%	21.19%
LONG-TERM OBLIGATIONS	Not Available	$147,347,999	$ 59,698,397	$ 64,941,715
AVERAGE DAILY ATTENDANCE AT P-2	13,928	13,868	13,497	13,090

The General Fund balance has increased by $7,486,557 over the past year primarily due to increased State funding. The fiscal year 2016-2017 budget projects an increase of $5,298,593 (21.88 percent). For a district this size, the State recommends available reserves of at least three 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 2016-2017 fiscal year. Total long-term obligations have increased by $82,406,284 over the past two years primarily due to the issuance of general obligation bonds and bond anticipation notes.

Average daily attendance has increased by 788 over the past two years. Additional growth of 60 ADA is anticipated during fiscal year 2016-2017.

1 Budget 2017 is included for analytical purposes only and has not been subjected to audit.

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

3 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 made by the State to CalSTRS have been included in revenues and expenditures in the 2016 fiscal year but were not included in the 2014 and 2015 fiscal years.

See accompanying note to supplementary information.

SALINAS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ -	$ 9,328,039	$ 1,914,155
Receivables	737,889	507,602	2,736
Due from other funds	894,765	-	-
Total Assets	$ 1,632,654	$ 9,835,641	$ 1,916,891
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ 977,603	$ -	$ -
Accounts payable	485,633	143,394	574,072
Due to other funds	146,313	234,485	-
Unearned revenue	23,105	-	-
Total Liabilities	1,632,654	377,879	574,072
Fund Balances:			
Restricted	-	9,457,762	-
Committed	-	-	1,342,819
Assigned	-	-	-
Total Fund Balances	-	9,457,762	1,342,819
Total Liabilities and Fund Balances	$ 1,632,654	$ 9,835,641	$ 1,916,891

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 935,879	$ -	$ 72,471	$ 10,970,943	$ 23,221,487
1,940	-	348	-	1,250,515
-	-	-	-	894,765
$ 937,819	$ -	$ 72,819	$ 10,970,943	$ 25,366,767
$ -	$ -	$ -	$ -	$ 977,603
51,930	-	1	-	1,255,030
-	-	-	-	380,798
-	-	-	-	23,105
51,930	-	1	-	2,636,536
885,889	-	-	10,970,943	21,314,594
-	-	-	-	1,342,819
-	-	72,818	-	72,818
885,889	-	72,818	10,970,943	22,730,231
$ 937,819	$ -	$ 72,819	$ 10,970,943	$ 25,366,767

SALINAS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	$ 620,430	$ -	$ 600,000
Federal sources	466,757	3,165,505	-
Other state sources	1,650,290	256,615	-
Other local sources	249,023	1,963,398	11,523
Total Revenues	2,986,500	5,385,518	611,523
EXPENDITURES			
Current			
Instruction	1,468,152	-	-
Instruction-related activities:			
Supervision of instruction	340,032	-	-
School site administration	366,746	-	-
Pupil Services:			
Food services	-	4,508,550	-
All other pupil services	133,075	-	-
General administration:			
All other general administration	146,314	234,030	-
Plant services	286,095	196,637	-
Facility acquisition and construction	250,000	-	588,268
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,990,414	4,939,217	588,268
Excess (Deficiency) of Revenues Over Expenditures	(3,914)	446,301	23,255
Other Financing Sources (Uses):			
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	(3,914)	446,301	23,255
Fund Balance - Beginning, as restated	3,914	9,011,461	1,319,564
Fund Balance - Ending	$ -	$ 9,457,762	$ 1,342,819

See accompanying note to supplementary information.

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
	$ -	$ -	$ -	$ -	$ 1,220,430
	-	-	-	-	3,632,262
	-	-	-	112,733	2,019,638
	529,432	27	38,227	14,344,608	17,136,238
	529,432	27	38,227	14,457,341	24,008,568
	-	-	-	-	1,468,152
	-	-	-	-	340,032
	-	-	-	-	366,746
	-	-	-	-	4,508,550
	-	-	-	-	133,075
	14,635	-	-	-	394,979
	-	-	12,379	-	495,111
	1,033,545	-	199,770	-	2,071,583
	-	-	-	9,090,000	9,090,000
	-	-	-	2,245,853	2,245,853
	1,048,180	-	212,149	11,335,853	21,114,081
	(518,748)	27	(173,922)	3,121,488	2,894,487
	-	-	-	2,795,203	2,795,203
	-	(27)	-	-	(27)
	-	(27)	-	2,795,203	2,795,176
	(518,748)	-	(173,922)	5,916,691	5,689,663
	1,404,637	-	246,740	5,054,252	17,040,568
	$ 885,889	$ -	$ 72,818	$ 10,970,943	$ 22,730,231

SALINAS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair market value of commodities which are not recorded as revenues and expenditures in the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 13,937,790
Reconciling item:		
Food Distribution - Commodities	10.555	107,993
Total Schedule of Expenditures of Federal Awards		$ 14,045,783

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 - Balance Sheet and 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.

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Independent Auditor's Reports

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

Governing Board
Salinas Union High School District
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Salinas Union High School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Salinas Union High School District in a separate letter dated December 15, 2016.

Purpose of This Report

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 15, 2016

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

Governing Board
Salinas Union High School District
Salinas, California

Report on Compliance for Each Major Federal Program

We have audited Salinas Union High School District's 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 (the District) major Federal programs for the year ended June 30, 2016. Salinas Union High School District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salinas Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Salinas Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Salinas Union High School District's compliance.

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

Opinion on Each Major Federal Program

In our opinion, Salinas Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Salinas Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salinas Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salinas Union High School District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 15, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Salinas Union High School District
Salinas, California

Report on State Compliance

We have audited Salinas Union High School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Salinas Union High School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Salinas Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Salinas Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Salinas Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Salinas Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

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

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

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

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

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

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

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

We did not perform procedures for the After School Education and Safety Program because the District does not offer the program.

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

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 15, 2016

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SALINAS UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

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

CFDA Numbers	Name of Federal Program or Cluster
84.011	Migrant Education Programs
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for programs:	Unmodified

SALINAS UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no audit findings reported in the prior year's schedule of financial statement findings.

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vtd Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

Governing Board
Salinas Union High School District
Salinas, California

In planning and performing our audit of the financial statements of Salinas Union High School District, for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2016, on the government-wide financial statements of the District.

SALINAS HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

We discovered that when teachers/advisors deposit funds to the bookkeeper, there is not always adequate supporting documentation to determine if the deposit was intact. Deposits without supporting documentation hinder the bookkeeper's ability to determine the accuracy of the cash count sheet to what was actually collected by the teacher/advisor.

Recommendation

Prenumbered receipts or a class roster/log should be used for all collections by teachers/advisors which should include a specific description of the source of the funds. A carbon of the receipts or copy of the roster/log used by the teachers and advisors should be forwarded with the funds to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers from the bookkeeper should be totaled and reconciled to the current bank deposit.

Ticket Sales

Observation

Ticket Sales Recap Forms, which calculate the number of tickets sold and the total revenue generated based on the selling price per ticket, are not being prepared consistently.

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Recommendation

Ticket sales forms should be properly completed for every event noting the beginning and ending ticket numbers sold, the amount of tickets sold and corresponding price or each ticket. Tickets sold should be reconciled to the amount deposited to the ASB bookkeeper.

Master Ticket Log

Observation

A Master Ticket Log is not being utilized to account for all tickets on hand and used during the year.

Recommendation

A Master Ticket Log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the Ticket Sales Recap Form is returned, the ending ticket number should be recorded in the Master Ticket Log and the form should be reconciled to the Log. The Log should be used in conjunction with a Ticket Sales Recap Form.

Concession Stands

Observation

We discovered when the concession stand is open there is not a process to track the beginning and ending inventory and so there is no reconciliation between the number of items sold to the amount of money received.

Recommendation

The concession stand should have a form to track the beginning and ending inventory so reconciliation can be performed between the funds received to the number of items sold. This will give the advisor and bookkeeper the knowledge that all money collected for sales was accounted for and turned in to the ASB.

Revenue Potentials

Observation

Revenue Potential Forms are not prepared to document and control fundraising activities as they occur. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

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

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

Cash Disbursements

Observation

During our audit of cash disbursements procedures at the site, we found several disbursement requests were dated after the date on the invoice.

Recommendation

In order to provide proper controls over spending, the site should take the necessary steps to ensure expenditures are approved prior to the item being purchased.

Budgets

Observation

The ASB at the site does not incorporate a budget into their control procedures.

Recommendation

The ASB (and clubs) should prepare a budget at the beginning of the school year. Some aspects that the Department of Education highlights are:

- The budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.
- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.

LA PAZ MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit, we discovered the bookkeeper only issues Prenumbered receipts to pupils that turn in funds. There are no receipts written to teachers/advisors when they turn in funds. Without this step, it is impossible to determine when funds were received, from whom funds were received, or how intact and timely deposits were. This internal control weakness puts the District at greater risk for loss of funds, reduces accountability over funds, and reduces the District's ability to know how much should be on hand.

We also discovered that when teachers/advisors deposit funds to the bookkeeper, there is not always adequate supporting documentation to determine if the deposit was intact. Deposits without supporting documentation hinder the bookkeeper's ability to determine the accuracy of the cash count sheet to what was actually collected by the teacher/advisor.

Recommendation

Prenumbered receipts or a class roster/log should be used for all collections by teachers/advisors which should include a specific description of the source of the funds. A carbon of the receipts or copy of the roster/log used by the teachers and advisors should be forwarded with the funds to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers from the bookkeeper should be totaled and reconciled to the current bank deposit.

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We discovered when the concession stand is open there is not a process to track the beginning and ending inventory and so there is no reconciliation between the number of items sold to the amount of money received.

Recommendation

The concession stand should have a form to track the beginning and ending inventory so reconciliation can be performed between the funds received to the number of items sold. This will give the advisor and bookkeeper the knowledge that all money collected for sales was accounted for and turned in to the ASB.

Revenue Potentials

Observation

Revenue Potential Forms are not consistently prepared to document and control fundraising activities as they occur. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

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

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The ASB (and clubs) should prepare a budget at the beginning of the school year. Some aspects that the Department of Education highlights are:

- The budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.

Governing Board
Salinas Union High School District

- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 15, 2016