

**SALINAS UNION HIGH SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2017**

# SALINAS UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2017

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# SALINAS UNION HIGH SCHOOL DISTRICT

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***FINANCIAL SECTION***

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

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## 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, 2017, 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 *2016-2017 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.

## ***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, 2017, 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 63, schedule of other postemployment benefits funding progress on page 64, schedule of the district's proportionate share of net pension liability on page 65, and the schedule of district contributions on page 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the Salinas Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salinas Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas Union High School District's internal control over financial reporting and compliance.

*Varinck, Trine, Day + Co. LLP*

Fresno, California  
December 14, 2017



# Salinas Union High School District

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This section of Salinas Union High School District's (2016-2017) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the Salinas Union High School District (the "District") using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), 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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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**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 \$64.3 million for the fiscal year ended June 30, 2017, and \$62.5 million for the fiscal year ended June 30, 2016, an increase of \$1.8 million. Of this amount, \$31.3 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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

Table 1

(Dollar amounts in millions)

	Governmental Activities		
	2017	2016	Variance
<b>Assets</b>			
Current and other assets	\$ 171.4	\$ 189.9	\$ (18.5)
Capital assets (Net of accumulated depreciation)	170.4	151.3	19.1
<b>Total Assets</b>	<b>341.8</b>	<b>341.2</b>	<b>0.6</b>
<b>Deferred Outflows of Resources</b>	<b>33.4</b>	<b>27.6</b>	<b>5.8</b>
<b>Liabilities</b>			
Current liabilities	16.6	20.7	(4.1)
Long-term obligations	146.5	147.3	(0.8)
Net pension liability	144.1	115.7	28.4
<b>Total Liabilities</b>	<b>307.2</b>	<b>283.7</b>	<b>23.5</b>
<b>Deferred Inflows of Resources</b>	<b>3.7</b>	<b>22.6</b>	<b>(18.9)</b>
<b>Net Position</b>			
Net investment in capital assets	115.2	113.7	1.5
Restricted	31.3	28.2	3.1
Unrestricted	(82.2)	(79.4)	(2.8)
<b>Total Net Position</b>	<b>\$ 64.3</b>	<b>\$ 62.5</b>	<b>\$ 1.8</b>

The \$64.3 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$2.8 million.

### Changes in Net Position

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Table 2

(Dollar amounts in millions)

	Governmental Activities		
	2017	2016	Variance
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2.2	\$ 2.4	\$ (0.2)
Operating grants and contributions	32.3	29.5	2.8
General revenues:			
Federal and State aid not restricted	115.5	110.8	4.7
Property taxes	46.7	45.2	1.5
Other general revenues	3.9	4.0	(0.1)
<b>Total Revenues</b>	<u>200.6</u>	<u>191.9</u>	<u>8.7</u>
<b>Expenses</b>			
Instruction-related	133.9	121.1	12.8
Student support services	27.3	25.2	2.1
Administration	8.4	11.2	(2.8)
Plant services	19.3	15.9	3.4
Other	9.9	7.2	2.7
<b>Total Expenses</b>	<u>198.8</u>	<u>180.6</u>	<u>18.2</u>
<b>Change in Net Position</b>	<u>\$ 1.8</u>	<u>\$ 11.3</u>	<u>\$ (9.5)</u>

### Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$198.8 million, as compared to \$180.6 million in the prior year. The amount that our taxpayers financed for these activities through local taxes was \$46.7 million because the cost was paid by those who benefited from the programs (\$2.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$32.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$115.5 million in State funds and \$3.9 million in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions - 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.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Table 3

(Dollar amounts in millions)	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	\$ 133.9	\$ 111.2	\$ 121.1	\$ 101.0
Student support services	27.3	18.9	25.2	17.8
Administration	8.4	7.3	11.2	9.6
Plant services	19.3	18.0	15.9	14.1
Other	9.9	8.9	7.2	6.2
<b>Total</b>	<b>\$ 198.8</b>	<b>\$ 164.3</b>	<b>\$ 180.6</b>	<b>\$ 148.7</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$154.8 million while the prior year reported \$169.3 million, which is a decrease of \$14.5 million (Table 4).

Table 4

(Dollar amounts in millions)	Balances		
	June 30, 2017	June 30, 2016	Variance
Major Governmental			
General	\$ 54.5	\$ 52.2	\$ 2.3
Building	72.9	94.4	(21.5)
Non-Major Governmental			
Adult Education	- <sup>1</sup>	- <sup>1</sup>	-
Cafeteria	9.8	9.5	0.3
Deferred Maintenance	1.5	1.3	0.2
Capital Facilities	1.2	0.9	0.3
Special Reserve Capital Projects	0.1	0.1	-
Bond Interest and Redemption	14.8	10.9	3.9
<b>Total</b>	<b>\$ 154.8</b>	<b>\$ 169.3</b>	<b>\$ (14.5)</b>

<sup>1</sup> 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 from \$52.2 million to \$54.5 million due primarily to increased State funding. The decrease in Building Fund of \$21.5 million is primarily due the construction of the new high school, Rancho San Juan.

# SALINAS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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### 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 September 12, 2017. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District projected a decrease in fund balance of approximately \$2.8 million. Although revenues and transfers in were \$5.6 million less than expected, expenditures and transfers out were \$10.7 million less than expected, resulting in an increase to the fund of \$2.3 million.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2016, the District had \$151.3 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. At June 30, 2017, the District's Capital Assets were \$170.4 million. This amount represents a net increase (including additions, deductions and depreciation) of \$19.1 million from last year (Table 5).

Table 5

(Dollar amounts in millions)

	Governmental Activities		
	2017	2016	Variance
Land and construction in process	\$ 67.3	\$ 45.4	\$ 21.9
Land improvements	7.4	8.3	(0.9)
Buildings and improvements	90.7	93.1	(2.4)
Furniture and equipment	5.0	4.5	0.5
<b>Total</b>	<b>\$ 170.4</b>	<b>\$ 151.3</b>	<b>\$ 19.1</b>

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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### Long-Term Obligations

At the end of this year, the District had \$146.5 million in obligations outstanding versus \$147.3 million last year, a decrease of \$0.8 million. The long-term obligations of the District include the following:

Table 6

(Dollar amounts in millions)	Governmental Activities		
	2017	2016	Variance
General obligation bonds	\$ 128.1	\$ 132.0	\$ (3.9)
Compensated absences	1.1	1.2	(0.1)
Other postemployment benefits	17.3	14.1	3.2
<b>Total</b>	<b>\$ 146.5</b>	<b>\$ 147.3</b>	<b>\$ (0.8)</b>

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

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

### Net Pension Liability (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, the District reported Deferred Outflows from pension activities of \$33.4 million, Deferred Inflows from pension activities of \$3.7 million, and a Net Pension Liability of \$144.1 million.

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

### FOR THE FUTURE

The State of California continues to financially support schools through the Local Control Funding Formula (LCFF). The LCFF uses a three-tier calculation involving base grants plus supplemental grants and concentrated grants. Supplemental and Concentrated grants are unique to each district as they are based on unduplicated count of English Learners, Foster Youth and pupils approved for Free/Reduced price meals. The District's unduplicated count equals 72.77 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 2017-2018 is 43.19 percent, which translates into an increase of 2.43 percent; net increase per ADA is \$241.34.

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 2016-2017 and, therefore, the cap will not be triggered.

# **SALINAS UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017**

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### **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, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Deposits and investments	\$ 165,492,127
Receivables	5,787,796
Prepaid Expense	143,788
Stores inventories	3,497
Nondepreciable capital assets	67,346,853
Capital assets being depreciated	245,105,591
Accumulated depreciation	<u>(142,055,932)</u>
<b>Total Assets</b>	<u>341,823,720</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows on refunding	406,008
Deferred outflows of resources related to pensions	<u>32,983,218</u>
<b>Total Deferred Outflows of Resources</b>	<u>33,389,226</u>
<b>LIABILITIES</b>	
Overdrafts	1,168,696
Accounts payable	10,490,794
Unearned revenue	4,950,693
Long-term obligations:	
Current portion of long-term obligations other than pensions	12,630,000
Noncurrent portion of long-term obligations other than pensions	<u>133,887,092</u>
Total Long-Term Obligations	<u>146,517,092</u>
Aggregate net pension liability	<u>144,081,524</u>
<b>Total Liabilities</b>	<u>307,208,799</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>3,710,272</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	115,189,023
Restricted for:	
Debt service	14,847,396
Capital projects	1,187,092
Educational programs	5,426,803
Other activities	9,820,297
Unrestricted	<u>(82,176,736)</u>
<b>Total Net Position</b>	<u>\$ 64,293,875</u>

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, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 106,377,716	\$ 52,052	\$ 18,352,603
Instruction-related activities:			
Supervision of instruction	15,342,369	8,921	3,743,823
Instructional library, media and technology	1,186,231	-	72,728
School site administration	11,009,097	5,256	447,634
Pupil services:			
Home-to-school transportation	6,693,444	4,766	31,429
Food services	5,430,564	1,920,044	3,660,149
All other pupil services	15,224,340	9,667	2,783,183
General administration:			
Data processing	2,139,805	-	51
All other general administration	6,285,925	84,371	1,012,695
Plant services	19,260,209	77,268	1,201,415
Ancillary services	862,560	-	22,588
Community services	52,755	-	-
Interest on long-term obligations	5,889,258	-	-
Other outgo	3,095,802	(542)	999,886
<b>Total Governmental-Type Activities</b>	<b>\$ 198,850,075</b>	<b>\$ 2,161,803</b>	<b>\$ 32,328,184</b>
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			
<b>Subtotal, General Revenues</b>			
<b>Change in Net Position</b>			
Net Position - Beginning			
Net Position - Ending			

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

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**Net (Expenses)  
Revenues and  
Changes in  
Net Position**  

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**Governmental  
Activities**  

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\$ (87,973,061)

(11,589,625)

(1,113,503)

(10,556,207)

(6,657,249)

149,629

(12,431,490)

(2,139,754)

(5,188,859)

(17,981,526)

(839,972)

(52,755)

(5,889,258)

(2,096,458)

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(164,360,088)

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32,673,247

13,894,599

160,021

115,501,878

806,961

91,884

2,985,770

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166,114,360

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1,754,272

62,539,603

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\$ 64,293,875

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**SALINAS UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 65,730,536	\$ 72,765,637	\$ 26,995,954
Receivables	3,982,961	242,117	1,562,718
Due from other funds	310,516	-	646,351
Prepaid expenditures	104,324	-	39,464
Stores inventories	-	-	3,497
<b>Total Assets</b>	<b>\$ 70,128,337</b>	<b>\$ 73,007,754</b>	<b>\$ 29,247,984</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	\$ -	\$ -	\$ 1,168,696
Accounts payable	10,042,153	113,419	335,222
Due to other funds	646,351	-	310,516
Unearned revenue	4,924,985	-	25,708
<b>Total Liabilities</b>	<b>15,613,489</b>	<b>113,419</b>	<b>1,840,142</b>
<b>FUND BALANCES</b>			
Nonspendable	125,924	-	42,961
Restricted	5,426,803	72,894,335	25,811,824
Committed	-	-	1,471,450
Assigned	32,762,582	-	81,607
Unassigned	16,199,539	-	-
<b>Total Fund Balances</b>	<b>54,514,848</b>	<b>72,894,335</b>	<b>27,407,842</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 70,128,337</b>	<b>\$ 73,007,754</b>	<b>\$ 29,247,984</b>

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

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**Total  
Governmental  
Funds**

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\$ 165,492,127  
5,787,796  
956,867  
143,788  
3,497

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\$ 172,384,075

\$ 1,168,696  
10,490,794  
956,867  
4,950,693

---

17,567,050

168,885  
104,132,962  
1,471,450  
32,844,189  
16,199,539

---

154,817,025

\$ 172,384,075

**SALINAS UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 154,817,025</b>
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	\$ 312,452,444	
Accumulated depreciation is	<u>(142,055,932)</u>	
Total capital assets		170,396,512
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		12,722,121
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.		4,698,948
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.		14,073,480
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.		(1,181,704)
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.		(1,039,899)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(144,081,524)
Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.		406,008

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

**SALINAS UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION, Continued  
JUNE 30, 2017**

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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	\$ 77,047,184	
Bond anticipation notes	47,618,455	
Bond premiums	3,436,185	
Compensated absences	1,146,433	
Other postemployment benefits	17,268,835	
Total long-term obligations		<u>\$ (146,517,092)</u>
<b>Total Net Position - Governmental Activities</b>		<u><b>\$ 64,293,875</b></u>

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, 2017**

	<b>General Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>		
Local Control Funding Formula	\$ 141,071,392	\$ -
Federal sources	9,663,748	-
Other state sources	15,962,113	-
Other local sources	7,947,456	1,144,316
<b>Total Revenues</b>	<b>174,644,709</b>	<b>1,144,316</b>
<b>EXPENDITURES</b>		
Current		
Instruction	97,038,971	-
Instruction-related activities:		
Supervision of instruction	14,216,382	-
Instructional library, media and technology	1,125,908	-
School site administration	9,829,800	-
Pupil Services:		
Home-to-school transportation	5,294,807	-
Food services	18,257	-
All other pupil services	14,529,776	-
General administration:		
Data processing	1,997,899	-
All other general administration	5,550,536	-
Plant services	17,194,615	3,400
Facility acquisition and construction	1,479,692	22,625,825
Ancillary services	865,903	-
Community services	52,753	-
Other outgo	3,095,802	-
Debt service		
Principal	-	-
Interest and other	-	-
<b>Total Expenditures</b>	<b>172,291,101</b>	<b>22,629,225</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,353,608</b>	<b>(21,484,909)</b>
<b>Other Financing Sources :</b>		
Other sources	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,353,608</b>	<b>(21,484,909)</b>
<b>Fund Balance - Beginning</b>	<b>52,161,240</b>	<b>94,379,244</b>
<b>Fund Balance - Ending</b>	<b>\$ 54,514,848</b>	<b>\$ 72,894,335</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,225,269	\$ 142,296,661
4,049,158	13,712,906
2,099,483	18,061,596
16,695,467	25,787,239
<u>24,069,377</u>	<u>199,858,402</u>
1,649,153	98,688,124
406,196	14,622,578
-	1,125,908
410,927	10,240,727
-	5,294,807
5,243,343	5,261,600
207,050	14,736,826
-	1,997,899
336,186	5,886,722
509,377	17,707,392
518,096	24,623,613
-	865,903
-	52,753
-	3,095,802
31,000,000	31,000,000
2,957,319	2,957,319
<u>43,237,647</u>	<u>238,157,973</u>
<u>(19,168,270)</u>	<u>(38,299,571)</u>
<u>23,845,881</u>	<u>23,845,881</u>
4,677,611	(14,453,690)
22,730,231	169,270,715
<u>\$ 27,407,842</u>	<u>\$ 154,817,025</u>

**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, 2017**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (14,453,690)**  
**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	\$ 25,934,166	
Depreciation expense	<u>(6,821,775)</u>	
Net Expense Adjustment		19,112,391

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.

(3,337,947)

In the Statement of Activities, compensated absences (vacations and compensation time), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensation time earned was less than the amounts used by \$44,057.

44,057

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.

(4,141,344)

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		(22,540,000)
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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, 2017**

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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	\$ (1,305,881)
Deferred amount on current year refunding	406,008
Amortization of premiums	81,912

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	31,000,000
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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:

(3,111,234)

**Change in Net Position of Governmental Activities**

\$ 1,754,272

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

**SALINAS UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

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	<b>Private-Purpose Trust</b>	<b>Agency</b>
	<b>Scholarships</b>	<b>Student Body</b>
<b>ASSETS</b>		
Deposits and investments	\$ 232,450	\$ 1,215,863
Receivables	721	-
<b>Total Assets</b>	<b>\$ 233,171</b>	<b>\$ 1,215,863</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 19,500	\$ -
Due to student groups	-	1,215,863
<b>Total Liabilities</b>	<b>19,500</b>	<b>\$ 1,215,863</b>
<b>NET POSITION</b>		
Restricted for scholarships	<b>\$ 213,671</b>	

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, 2017**

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	<b>Private-Purpose Trust Scholarships</b>
<b>ADDITIONS</b>	
Contributions	\$ 45,850
Interest	2,843
<b>Total Additions</b>	<b>48,693</b>
<b>DEDUCTIONS</b>	
Scholarships awarded	45,700
<b>Change in Net Position</b>	2,993
<b>Net Position - Beginning</b>	210,678
<b>Net Position - Ending</b>	<b>\$ 213,671</b>

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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 \$28,166,398 and revenue of \$394,365.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**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 revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

**Capital Project Funds** The Capital Project funds are used to account for financial resources 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).

**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).

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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**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, 2017, 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.

# **SALINAS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **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 and for debt refunding.

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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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, 2017, 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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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 \$31,281,588 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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Property Tax

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

### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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 District has implemented the provisions of this Statement as of June 30, 2017, 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.

### **New Accounting Pronouncements**

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

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

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

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

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 165,492,127
Less overdraft	1,168,696
Net governmental activities	<u>164,323,431</u>
Fiduciary funds	1,448,313
Total Deposits and Investments	<u><u>\$ 165,771,744</u></u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 1,365,440
Cash in revolving	21,600
Investments	<u>164,384,704</u>
Total Deposits and Investments	<u><u>\$ 165,771,744</u></u>

The Adult Education Fund ended the fiscal year with a deficit cash in county balance of \$1,168,696.

#### 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.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**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	\$ 164,195,662	\$ -	\$ 164,195,662	\$ -	\$ -

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### **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, 2017, \$1,089,618 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.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2017, 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	\$ 1,957,122	\$ -	\$ 1,001,980	\$ 2,959,102	\$ -
State Government					
State grants and entitlements	1,368,743	-	449,894	1,818,637	-
Local Sources	657,096	242,117	110,844	1,010,057	721
Total	<u>\$ 3,982,961</u>	<u>\$ 242,117</u>	<u>\$ 1,562,718</u>	<u>\$ 5,787,796</u>	<u>\$ 721</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 33,659,214	\$ -	\$ -	\$ 33,659,214
Construction in progress	11,710,623	24,585,485	2,608,469	33,687,639
Total Capital Assets Not Being Depreciated	<u>45,369,837</u>	<u>24,585,485</u>	<u>2,608,469</u>	<u>67,346,853</u>
Capital Assets being depreciated				
Land improvements	37,349,866	-	-	37,349,866
Buildings and improvements	191,999,896	2,614,871	63,879	194,550,888
Furniture and equipment	11,862,558	1,342,279	-	13,204,837
Total Capital Assets Being Depreciated	<u>241,212,320</u>	<u>3,957,150</u>	<u>63,879</u>	<u>245,105,591</u>
Less Accumulated Depreciation				
Land improvements	29,066,875	953,764	-	30,020,639
Buildings and improvements	98,912,419	4,976,889	63,879	103,825,429
Furniture and equipment	7,318,742	891,122	-	8,209,864
Total Accumulated Depreciation	<u>135,298,036</u>	<u>6,821,775</u>	<u>63,879</u>	<u>142,055,932</u>
Governmental Activities Capital Assets, Net	<u>\$ 151,284,121</u>	<u>\$ 21,720,860</u>	<u>\$ 2,608,469</u>	<u>\$ 170,396,512</u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 3,069,799
School site administration	272,871
Home-to-school transportation	1,227,920
Food services	545,742
Data processing	341,089
All other general administration	68,218
Plant services	1,296,136
Total Depreciation Expenses Governmental Activities	<u><u>\$ 6,821,775</u></u>

**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, 2017, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	<u>\$ 310,516</u>	<u>\$ 646,351</u>
Non-Major Governmental Funds		
Adult Education	645,983	44,199
Cafeteria	368	266,317
Total Non-Major Governmental Funds	<u>646,351</u>	<u>310,516</u>
Total All Governmental Funds	<u><u>\$ 956,867</u></u>	<u><u>\$ 956,867</u></u>

The General Fund owes the Adult Education Non-Major Governmental Fund to contribute to program operations.	\$ 645,983
The General Fund owes the Cafeteria Non-Major Governmental Fund for incorrect postings of Health & Welfare costs and indirect costs.	368
The Cafeteria Non-Major Governmental Fund owes the General Fund to correct Health & Welfare postings and for indirect costs.	266,317
The Adult Education Non-Major Governmental Fund owes the General Fund to correct Health & Welfare postings and for indirect costs.	44,199
Total	<u><u>\$ 956,867</u></u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 7 - PREPAID EXPENDITURES**

Prepaid expenditures at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Conferences and lodging	\$ 104,324	\$ -	\$ 104,324
Maintenance agreements	-	32,286	32,286
Health permit fees	-	7,178	7,178
Total	<u>\$ 104,324</u>	<u>\$ 39,464</u>	<u>\$ 143,788</u>

**NOTE 8 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Trust Fund
Vendor payables	\$ 1,715,212	\$ 113,419	\$ 255,205	\$ 2,083,836	\$ 19,500
Deferred payroll	5,385,603	-	80,017	5,465,620	-
State apportionment	1,509,966	-	-	1,509,966	-
Health insurance	1,431,372	-	-	1,431,372	-
Total	<u>\$ 10,042,153</u>	<u>\$ 113,419</u>	<u>\$ 335,222</u>	<u>\$ 10,490,794</u>	<u>\$ 19,500</u>

**NOTE 9 - UNEARNED REVENUE**

Unearned revenue at June 30, 2017, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 118,934	\$ -	\$ 118,934
State categorical aid	3,846,905	-	\$ 3,846,905
Local assistance	959,146	25,708	984,854
Total	<u>\$ 4,924,985</u>	<u>\$ 25,708</u>	<u>\$ 4,950,693</u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**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, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 84,613,247	\$ 23,433,937	\$ 31,000,000	\$ 77,047,184	\$ 12,630,000
Bond anticipation notes	45,174,445	2,444,010	-	47,618,455	-
Bond premiums	2,212,216	1,305,881	81,912	3,436,185	-
Compensated absences	1,190,490	-	44,057	1,146,433	-
Other postemployment benefits	14,157,601	4,694,855	1,583,621	17,268,835	-
Total	<u>\$ 147,347,999</u>	<u>\$ 31,878,683</u>	<u>\$ 32,709,590</u>	<u>\$ 146,517,092</u>	<u>\$ 12,630,000</u>

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. The outstanding principal balance of the bonds has been refunded as of June 30, 2017.

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. The outstanding principal balance of the bonds has been refunded as of June 30, 2017.

# **SALINAS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### 2002 Election, Series A General Obligation Bonds, Measure M

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

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

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

### 2014 Election, Series A General Obligation Bonds, Measure B

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

### General Obligation Refunding Bonds, Series 2017

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

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

The outstanding general obligation bonded debt is as follows:

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Bonds Outstanding July 1, 2016</u>	<u>Accreted/ Issued</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2017</u>
Measure F							
Series B	8/29/06		4.25-5.00	\$ 12,015,000	\$ -	\$ 12,015,000	\$ -
Refunding Series C	8/29/06		3.77-4.37	11,140,000	-	11,140,000	-
Measure M							
Series A	4/10/03	2028	5.50-5.60	9,397,985	533,916	-	9,931,901
Refunding Series A	8/29/06	2018	3.71-4.46	7,011,552	198,448	4,050,000	3,160,000
Measure B							
Series A	11/3/15	2050	2.00-4.58	45,048,710	161,573	3,795,000	41,415,283
Series 2017	2/16/17	2031	3.00-5.00	-	22,540,000	-	22,540,000
Total				<u>\$ 84,613,247</u>	<u>\$ 23,433,937</u>	<u>\$ 31,000,000</u>	<u>\$ 77,047,184</u>

**Debt Service Requirements to Maturity**

The bonds mature as follows:

2002 Election, Series A Capital Appreciation Bonds, Measure M

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2024	\$ 2,082,970	\$ 802,030	\$ 2,885,000
2025	2,030,808	959,192	2,990,000
2026	1,981,419	1,113,581	3,095,000
2027	1,940,124	1,269,876	3,210,000
2028	1,896,580	1,428,420	3,325,000
Total	<u>\$ 9,931,901</u>	<u>\$ 5,573,099</u>	<u>\$ 15,505,000</u>

2006 Refunding Series A Capital Appreciation Bonds

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2018	<u>\$ 3,160,000</u>	<u>\$ -</u>	<u>\$ 3,160,000</u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

2014 Election Series A Current Interest Bonds, Measure B

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 3,300,000	\$ 1,616,150	\$ 4,916,150
2019	2,700,000	1,512,650	4,212,650
2020	2,980,000	1,384,150	4,364,150
2021	3,305,000	1,227,025	4,532,025
2022	-	1,144,400	1,144,400
2023-2027	-	5,722,000	5,722,000
2028-2032	-	5,722,000	5,722,000
2033-2037	885,000	5,699,880	6,584,880
2038-2042	6,510,000	4,770,820	11,280,820
2043-2047	10,755,000	2,954,900	13,709,900
2048-2050	9,015,000	560,300	9,575,300
Total	<u>\$ 39,450,000</u>	<u>\$ 32,314,275</u>	<u>\$ 71,764,275</u>

2014 Election Series A Capital Appreciation Bonds, Measure B

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2031	\$ 277,656	\$ 182,344	\$ 460,000
2032	299,250	225,750	525,000
2033	319,426	270,574	590,000
2034	339,504	320,496	660,000
2035	354,417	380,583	735,000
2036	375,030	434,970	810,000
Total	<u>\$ 1,965,283</u>	<u>\$ 1,814,717</u>	<u>\$ 3,780,000</u>

General Obligation Refunding Bonds, Series 2017

<u>Fiscal Year</u>	<u>Principal</u>	<u>Maturity</u>	<u>Total</u>
2018	\$ 5,800,000	\$ 762,546	\$ 6,562,546
2019	6,115,000	616,000	6,731,000
2020	1,095,000	435,750	1,530,750
2021	605,000	393,250	998,250
2022	630,000	362,375	992,375
2023-2027	3,670,000	1,291,875	4,961,875
2028-2031	4,625,000	376,872	5,001,872
Total	<u>\$ 22,540,000</u>	<u>\$ 4,238,668</u>	<u>\$ 26,778,668</u>

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Related refunding information:

Cash flow requirements of refunded Bonds	\$ 28,716,113
Cash flow requirements of Series 2017 Refunding Bonds	26,778,668
Cash flow savings	<u>\$ 1,937,445</u>
Economic Gain (net present value savings)	<u><u>\$ 1,662,642</u></u>

### Bond Anticipation Notes

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

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2021	<u>\$ 47,618,455</u>	<u>\$ 2,056,545</u>	<u>\$ 49,675,000</u>

### Compensated Absences

The long-term portion of accumulated compensated absences for the District at June 30, 2017, amounted to \$1,146,433.

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$4,057,763, and contributions made by the District during the year were \$820,532. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$637,092 and \$(763,089), respectively, which resulted in an increase to the net OPEB obligation of \$3,111,234. As of June 30, 2017, the net OPEB obligation was \$17,268,835. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 11 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 21,600	\$ -	\$ -	\$ 21,600
Stores inventories	-	-	3,497	3,497
Prepaid expenditures	104,324	-	39,464	143,788
Total Nonspendable	<u>125,924</u>	<u>-</u>	<u>42,961</u>	<u>168,885</u>
Restricted				
Legally restricted programs	5,426,803	-	9,777,336	15,204,139
Capital projects	-	72,894,335	1,187,092	74,081,427
Debt service	-	-	14,847,396	14,847,396
Total Restricted	<u>5,426,803</u>	<u>72,894,335</u>	<u>25,811,824</u>	<u>104,132,962</u>
Committed				
Deferred maintenance program	-	-	1,471,450	1,471,450
Assigned				
Postemployment benefits	11,621,728	-	-	11,621,728
Construction/Tech projects	16,039,670	-	-	16,039,670
Rancho San Juan High School	505,000	-	-	505,000
Board one percent reserve	1,722,911	-	-	1,722,911
Site formula fund carryover	159,907	-	-	159,907
Supplemental/concentration carryover	2,713,366	-	-	2,713,366
Capital projects	-	-	81,607	81,607
Total Assigned	<u>32,762,582</u>	<u>-</u>	<u>81,607</u>	<u>32,844,189</u>
Unassigned				
Reserve for economic uncertainties	5,168,733	-	-	5,168,733
Remaining unassigned	11,030,806	-	-	11,030,806
Total Unassigned	<u>16,199,539</u>	<u>-</u>	<u>-</u>	<u>16,199,539</u>
Total	<u>\$ 54,514,848</u>	<u>\$ 72,894,335</u>	<u>\$ 27,407,842</u>	<u>\$ 154,817,025</u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 12 - 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 75 retirees and beneficiaries currently receiving benefits and 1,487 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 2016-2017, the District contributed \$820,532 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	637,092
Adjustment to annual required contribution	<u>(763,089)</u>
Annual OPEB cost	3,931,766
Contributions made	<u>(820,532)</u>
Increase in net OPEB obligation	3,111,234
Net OPEB obligation, beginning of year	<u>14,157,601</u>
Net OPEB obligation, end of year	<u><u>\$ 17,268,835</u></u>

**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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 3,931,766	\$ 820,532	21%	\$ 17,268,835
2016	3,960,356	747,798	19%	14,157,601
2015	2,495,702	794,349	32%	10,945,043

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**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 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, 2017, was 22 years.

# **SALINAS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **NOTE 13 - 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, 2017, 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 2017, the District participated in the Monterey Educational Risk Management Authority (MERMA), an insurance purchasing pool. The intent of the MERMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the MERMA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERMA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MERMA.

#### **Employee Medical Benefits**

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### NOTE 14 - 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, 2017, 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:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 109,469,030	\$ 21,668,289	\$ 2,670,373	\$ 11,750,033
CalPERS	34,612,494	11,314,929	1,039,899	5,113,432
Total	<u>\$ 144,081,524</u>	<u>\$ 32,983,218</u>	<u>\$ 3,710,272</u>	<u>\$ 16,863,465</u>

The details of each plan are as follows:

#### **California State Teachers' Retirement System (CalSTRS)**

##### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, 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.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$9,469,067.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

At June 30, 2017, 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	\$ 109,469,030
State's proportionate share of the net pension liability associated with the District	<u>62,318,766</u>
Total	<u><u>\$ 171,787,796</u></u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.1353 percent and 0.1340 percent, resulting in a net increase in the proportionate share of 0.0013 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$11,750,033. In addition, the District recognized pension expense and revenue of \$6,023,765 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 9,469,067	\$ -
Net change in proportionate share of net pension liability	3,496,488	-
Difference between projected and actual earnings on pension plan investments	8,702,734	-
Differences between expected and actual experience in the measurement of the total pension liability	-	2,670,373
Total	<u><u>\$ 21,668,289</u></u>	<u><u>\$ 2,670,373</u></u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 189,864
2019	189,864
2020	5,058,930
2021	3,264,076
Total	<u>\$ 8,702,734</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and 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 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 184,490
2019	184,490
2020	184,490
2021	184,490
2022	184,485
Thereafter	(96,330)
Total	<u>\$ 826,115</u>

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### 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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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:

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 157,550,623
Current discount rate (7.60%)	\$ 109,469,030
1% increase (8.60%)	\$ 69,535,254

### 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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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>.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

### 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, 2017, are presented above and the total District contributions were \$3,253,054.

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$34,612,494. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.1753 percent and 0.1727 percent, resulting in a net increase in the proportionate share of 0.0026 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$5,113,432. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,253,054	\$ -
Net change in proportionate share of net pension liability	1,202,460	-
Difference between projected and actual earnings on pension plan investments	5,370,746	-
Differences between expected and actual experience in the measurement of the total pension liability	1,488,669	-
Changes of assumptions		1,039,899
Total	<u>\$ 11,314,929</u>	<u>\$ 1,039,899</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 753,318
2019	753,319
2020	2,462,393
2021	1,401,716
Total	<u>\$ 5,370,746</u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and 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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 721,388
2019	677,308
2020	252,534
Total	<u>\$ 1,651,230</u>

**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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

**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:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 51,642,034
Current discount rate (7.65%)	\$ 34,612,494
1% increase (8.65%)	\$ 20,432,051

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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 \$5,359,732 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

## NOTE 15 - 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, 2017.

### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

### Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Welding shop upgrade	\$ 638,875	October 2018
New high school	52,260,203	August 2018
Total	<u>\$ 52,899,078</u>	

# **SALINAS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **NOTE 16 - PARTICIPATION IN JOINT POWERS AUTHORITIES**

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

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

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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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 137,212,463	\$ 140,839,394	\$ 141,071,392	\$ 231,998
Federal sources	11,029,919	11,336,025	9,663,748	(1,672,277)
Other state sources	9,211,207	19,776,249	15,962,113	(3,814,136)
Other local sources	7,414,059	7,978,621	7,947,456	(31,165)
<b>Total Revenues</b> <sup>1</sup>	<u>164,867,648</u>	<u>179,930,289</u>	<u>174,644,709</u>	<u>(5,285,580)</u>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	73,654,056	77,438,346	75,952,922	1,485,424
Classified salaries	22,096,596	23,887,579	23,549,198	338,381
Employee benefits	35,808,484	40,421,397	40,037,978	383,419
Books and supplies	7,513,037	12,626,300	8,530,625	4,095,675
Services and operating expenditures	16,269,179	22,411,932	19,180,325	3,231,607
Other outgo	2,217,571	2,676,315	2,771,428	(95,113)
Capital outlay	2,095,032	3,610,711	2,268,625	1,342,086
<b>Total Expenditures</b> <sup>1</sup>	<u>159,653,955</u>	<u>183,072,580</u>	<u>172,291,101</u>	<u>10,781,479</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>5,213,693</u>	<u>(3,142,291)</u>	<u>2,353,608</u>	<u>5,495,899</u>
<b>Other Financing Sources:</b>				
Transfers in	438,190	315,507	-	(315,507)
<b>NET CHANGE IN FUND BALANCES</b>	<u>5,651,883</u>	<u>(2,826,784)</u>	<u>2,353,608</u>	<u>5,180,392</u>
<b>Fund Balance - Beginning</b>	<u>52,161,240</u>	<u>52,161,240</u>	<u>52,161,240</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 57,813,123</u>	<u>\$ 49,334,456</u>	<u>\$ 54,514,848</u>	<u>\$ 5,180,392</u>

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

See accompanying note to required supplementary information.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
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 note to required supplementary information.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.1353%</u>	<u>0.1340%</u>
District's proportionate share of the net pension liability	\$ 109,469,030	\$ 90,245,333
State's proportionate share of the net pension liability associated with the District	<u>62,318,766</u>	<u>47,729,833</u>
Total	<u>\$ 171,787,796</u>	<u>\$ 137,975,166</u>
District's covered - employee payroll	<u>\$ 71,874,511</u>	<u>\$ 64,640,450</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>152.31%</u>	<u>139.61%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.1753%</u>	<u>0.1727%</u>
District's proportionate share of the net pension liability	<u>\$ 34,612,494</u>	<u>\$ 25,453,861</u>
District's covered - employee payroll	<u>\$ 21,679,885</u>	<u>\$ 18,951,890</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>159.65%</u>	<u>134.31%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>

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

See accompanying note to required supplementary information.

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2015

0.1289%

\$ 75,329,929

45,487,463

\$ 120,817,392

\$ 57,415,952

131.20%

77%

0.1604%

\$ 18,213,483

\$ 16,841,863

108.14%

83%

**SALINAS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 9,469,067	\$ 7,712,135
Contributions in relation to the contractually required contribution	<u>9,469,067</u>	<u>7,712,135</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 75,270,803</u>	<u>\$ 71,874,511</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 3,253,054	\$ 2,568,416
Contributions in relation to the contractually required contribution	<u>3,253,054</u>	<u>2,568,416</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 23,423,488</u>	<u>\$ 21,679,885</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<u>11.847%</u>

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

See accompanying note to required supplementary information.

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2015

\$ 5,740,072  
5,740,072  
\$ -

\$ 64,640,450

8.88%

\$ 2,230,827  
2,230,827  
\$ -

\$ 18,951,890

11.771%

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### 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.

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

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

#### **Schedule of District Contributions**

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

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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, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education (CDE):			
Title I, Part A, Basic	84.010	14329	\$ 3,894,665
Title I, Part C, Migrant Education - Regular	84.011	14326	2,059,891
Title I, Part C, Migrant Education - Summer	84.011	10005	244,813
Title I, Part G, AP Fee Reimbursement	84.330	14831	46,892
Title II - Part A, Supporting Effective Instruction	84.367	14341	357,760
Title III - English Language Acquisition - IEP	84.365	15146	34,716
Title III - English Language Acquisition - LEP	84.365	14346	359,652
Adult Basic Education, ESL	84.002A	14508	191,720
English Literacy and Civics	84.002A	14109	63,968
Adult Secondary Education	84.002	13978	228,189
Institutionalized Adults	84.002	13971	2,109
Department of Rehabilitation: Workability II	84.126	10006	108,103
Technology Secondary IIC, Section 131	84.048A	14894	323,221
Special Education, Basic Local Assistance	84.027	13379	2,091,601
Total U.S. Department of Education			<u>10,007,300</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	129,944
Medi-Cal Administrative Activities	93.778	10060	12,490
Total U.S. Department of Health and Human Services			<u>142,434</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	2,624,983
Especially Needy Breakfast	10.553	13526	809,814
Meals Supplements - Snack	10.555	13391	128,375
Food Distribution - Commodities	10.555	13391	353,915
Subtotal Child Nutrition Cluster			<u>3,917,087</u>
Total U.S. Department of Agriculture			<u>3,917,087</u>
Total Expenditures of Federal Awards			<u><u>\$ 14,066,821</u></u>

See accompanying note to supplementary information.

# **SALINAS UNION HIGH SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017**

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### **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**

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

### **ADMINISTRATION**

Tim Vanoli	Superintendent
Blanca Baltazar-Sabbah	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, 2017**

	Final Report		As Adjusted per Audit [1]	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Seventh and eighth	4,365.60	4,369.44	4,363.89	4,367.92
Ninth through twelfth	9,886.12	9,854.05	9,886.12	9,854.05
Total Regular ADA	<u>14,251.72</u>	<u>14,223.49</u>	<u>14,250.01</u>	<u>14,221.97</u>
Extended Year Special Education				
Seventh and eighth	0.08	3.31	0.08	3.31
Ninth through twelfth	2.42	11.80	2.42	11.80
Total Extended Year Special Education	<u>2.50</u>	<u>15.11</u>	<u>2.50</u>	<u>15.11</u>
Special Education - Nonpublic, Nonsectarian Schools				
Seventh and eighth	1.09	1.19	1.09	1.19
Ninth through twelfth	4.08	4.75	4.08	4.75
Total Special Education, Nonpublic, Nonsectarian Schools	<u>5.17</u>	<u>5.94</u>	<u>5.17</u>	<u>5.94</u>
Extended Year Special Education - Nonpublic, Nonsectarian Schools				
Seventh and eighth	0.11	0.12	0.11	0.12
Ninth through twelfth	0.64	0.65	0.64	0.65
Total Extended Year Special Education - Nonpublic, Nonsectarian Schools	<u>0.75</u>	<u>0.77</u>	<u>0.75</u>	<u>0.77</u>
Community Day School				
Seventh and eighth	5.10	5.11	5.10	5.11
Ninth through twelfth	9.17	8.44	9.17	8.44
Total Community Day School	<u>14.27</u>	<u>13.55</u>	<u>14.27</u>	<u>13.55</u>
Total ADA	<u>14,274.41</u>	<u>14,258.86</u>	<u>14,272.70</u>	<u>14,257.34</u>

[1] See finding 2007-001 for explanation of auditor's revision of Average Daily Attendance.

# SALINAS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-1987 Minutes Requirement	2016-2017 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		61,022	180	N/A	Complied
Grade 8		61,022	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,923	180	N/A	Complied
Grade 10		64,923	180	N/A	Complied
Grade 11		64,923	180	N/A	Complied
Grade 12		64,923	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, 2017**

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There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

	(Budget) 2018 <sup>1,3</sup>	2017 <sup>3</sup>	2016 <sup>3</sup>	2015 <sup>3</sup>
<b>GENERAL FUND</b>				
Revenues and other sources	\$ 180,015,743	\$ 174,250,344	\$ 167,374,042	\$ 137,847,257
Other sources and transfers in	3,440,834	176,996	3,411,395	1,268,443
Total Revenues and Other Sources <sup>4</sup>	<u>183,456,577</u>	<u>174,427,340</u>	<u>170,785,437</u>	<u>139,115,701</u>
Expenditures	190,076,250	172,291,101	162,793,880	137,340,541
Other uses and transfers out	-	-	505,000	16,446,921
Total Expenditures and Other Uses <sup>4</sup>	<u>190,076,250</u>	<u>172,291,101</u>	<u>163,298,880</u>	<u>153,787,462</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ (6,619,673)</u>	<u>\$ 2,136,239</u>	<u>\$ 7,486,557</u>	<u>\$ (14,671,761)</u>
ENDING FUND BALANCE	<u>\$ 19,728,777</u>	<u>\$ 26,348,450</u>	<u>\$ 24,212,211</u>	<u>\$ 16,725,654</u>
AVAILABLE RESERVES <sup>2</sup>	<u>\$ 14,071,401</u>	<u>\$ 16,199,539</u>	<u>\$ 14,048,350</u>	<u>\$ 9,056,719</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>7.40%</u>	<u>9.40%</u>	<u>8.60%</u>	<u>5.89%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 146,517,092</u>	<u>\$ 147,347,999</u>	<u>\$ 59,698,397</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>14,561</u>	<u>14,273</u>	<u>13,868</u>	<u>13,497</u>

The General Fund balance has increased by \$9,622,796 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$6,619,673 (25.12 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 but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$86,818,695 over the past two years due to bond issuances.

Average daily attendance has increased by 776 over the past two years. Additional growth of 288 ADA is anticipated during fiscal year 2017-2018.

<sup>1</sup> Budget 2018 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> 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.

<sup>4</sup> On behalf payments made by the State to CalSTRS have been included in revenues and expenditures in the 2017 and 2016 fiscal years but were not included in the 2015 fiscal year.

See accompanying note to supplementary information.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 21,772	\$ 9,392,821	\$ 1,468,695
Receivables	670,118	885,903	2,755
Due from other funds	645,983	368	-
Prepaid expenses	-	39,464	-
Stores inventories	-	3,497	-
<b>Total Assets</b>	<b>\$ 1,337,873</b>	<b>\$ 10,322,053</b>	<b>\$ 1,471,450</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	\$ 1,168,696	\$ -	\$ -
Accounts payable	99,270	235,439	-
Due to other funds	44,199	266,317	-
Unearned revenue	25,708	-	-
<b>Total Liabilities</b>	<b>1,337,873</b>	<b>501,756</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	-	42,961	-
Restricted	-	9,777,336	-
Committed	-	-	1,471,450
Assigned	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>9,820,297</b>	<b>1,471,450</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,337,873</b>	<b>\$ 10,322,053</b>	<b>\$ 1,471,450</b>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,183,921	\$ 81,349	\$ 14,847,396	\$ 26,995,954
3,684	258	-	1,562,718
-	-	-	646,351
-	-	-	39,464
-	-	-	3,497
<u>\$ 1,187,605</u>	<u>\$ 81,607</u>	<u>\$ 14,847,396</u>	<u>\$ 29,247,984</u>
\$ -	\$ -	\$ -	\$ 1,168,696
513	-	-	335,222
-	-	-	310,516
-	-	-	25,708
<u>513</u>	<u>-</u>	<u>-</u>	<u>1,840,142</u>
-	-	-	42,961
1,187,092	-	14,847,396	25,811,824
-	-	-	1,471,450
-	81,607	-	81,607
<u>1,187,092</u>	<u>81,607</u>	<u>14,847,396</u>	<u>27,407,842</u>
<u>\$ 1,187,605</u>	<u>\$ 81,607</u>	<u>\$ 14,847,396</u>	<u>\$ 29,247,984</u>

**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, 2017**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 625,269	\$ -	\$ 600,000
Federal sources	485,986	3,563,172	-
Other state sources	1,726,039	272,428	-
Other local sources	253,157	2,196,149	14,646
<b>Total Revenues</b>	<b>3,090,451</b>	<b>6,031,749</b>	<b>614,646</b>
<b>EXPENDITURES</b>			
Current			
Instruction	1,649,153	-	-
Instruction-related activities:			
Supervision of instruction	406,196	-	-
School site administration	410,927	-	-
Pupil Services:			
Food services	-	5,243,343	-
All other pupil services	207,050	-	-
General administration:			
All other general administration	104,836	219,537	-
Plant services	312,706	192,996	-
Facility acquisition and construction	(417)	13,338	486,015
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>3,090,451</b>	<b>5,669,214</b>	<b>486,015</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>362,535</b>	<b>128,631</b>
<b>Other Financing Sources:</b>			
Other sources	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>362,535</b>	<b>128,631</b>
<b>Fund Balance - Beginning, as restated</b>	<b>-</b>	<b>9,457,762</b>	<b>1,342,819</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ 9,820,297</b>	<b>\$ 1,471,450</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 1,225,269
-	-	-	4,049,158
-	-	101,016	2,099,483
322,730	21,910	13,886,875	16,695,467
<u>322,730</u>	<u>21,910</u>	<u>13,987,891</u>	<u>24,069,377</u>
-	-	-	1,649,153
-	-	-	406,196
-	-	-	410,927
-	-	-	5,243,343
-	-	-	207,050
11,813	-	-	336,186
-	3,675	-	509,377
9,714	9,446	-	518,096
-	-	31,000,000	31,000,000
-	-	2,957,319	2,957,319
<u>21,527</u>	<u>13,121</u>	<u>33,957,319</u>	<u>43,237,647</u>
<u>301,203</u>	<u>8,789</u>	<u>(19,969,428)</u>	<u>(19,168,270)</u>
-	-	23,845,881	23,845,881
<u>301,203</u>	<u>8,789</u>	<u>3,876,453</u>	<u>4,677,611</u>
<u>885,889</u>	<u>72,818</u>	<u>10,970,943</u>	<u>22,730,231</u>
<u>\$ 1,187,092</u>	<u>\$ 81,607</u>	<u>\$ 14,847,396</u>	<u>\$ 27,407,842</u>

# SALINAS UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### 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:		\$ 13,712,906
Reconciling item:		
Food Distribution - Commodities	10.555	353,915
Total Schedule of Expenditures of Federal Awards		<u>\$ 14,066,821</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### 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.

# **SALINAS UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017**

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### **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, 2017, 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 14, 2017.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Salinas Union High School District in a separate letter dated December 14, 2017.

## **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 result 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.

*Varrinck, Trine, Day + Co. LLP*

Fresno, California  
December 14, 2017



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

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**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, 2017. 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.

### ***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, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Varinck, Trine, Day & Co. LLP*

Fresno, California  
December 14, 2017



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

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## **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 *2016-2017 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, 2017.

### ***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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Salinas Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Salinas Union High School District's compliance with those requirements.

### ***Basis for Qualified Opinion on Immunizations***

As described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, Salinas Union High School District did not comply with requirements regarding Immunizations. Compliance with such requirements is necessary, in our opinion, for Salinas Union High School District to comply with the requirements applicable to that program.

***Qualified Opinion on Immunizations***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Salinas Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

***Unmodified Opinion on Each of the Other Programs***

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, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
Mental Health Expenditures	Yes
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes

Procedures  
Performed

CHARTER SCHOOLS

Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

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

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

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

The District has only grades 9 - 12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

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

The District does not offer 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.

*Vavrinak, Trine, Day + Co. LLP*

Fresno, California  
December 14, 2017

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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, 2017**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic</u>
<u>84.027</u>	<u>Special Education, Basic Local Assistance</u>

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

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
<u>Immunizations</u>

**SALINAS UNION HIGH SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

**2017-001      40000**

***Immunizations***

**Criteria or Specific Requirement**

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

**Condition**

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

**Question Costs**

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

**Context**

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

**Effect**

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

# SALINAS UNION HIGH SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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### **Cause**

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

### **Recommendation**

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

### **Corrective Action Plan**

The District will remind Principals, Principal's Secretaries, Health Technicians, and Registrars of established procedures to ensure compliance with program requirements.

Current procedures are as follow:

- Students who provide all required paperwork including immunization records, WITH specific record of Tdap immunization, should be given class schedules and are clear to attend class on the first day of school.
- Students who provide all required paperwork including immunizations records, WITHOUT record of Tdap immunizations should **NOT** be given a class schedule, and should be told to either obtain a Tdap immunization or a record of Tdap immunization if the student has already been Tdap-immunized. A list of Tdap providers should be given to the student/parent.
- Students should be told that they will not be able to attend classes until the proof of the Tdap immunization is provided to the school. On the first day of school, Health Technicians will review attendance records and pull students from class who do not have proof of Tdap immunizations, and make parent calls.
- Students who do not provide immunization records should NOT be given a class schedule. Parent/Guardians should be contacted and asked to expedite getting the records to the school and/or obtaining the appropriate immunization(s) for their student.
- Health Technicians should be included in the schedule distribution process utilizing the four plus days included in their work assignment to screen immunization records provided by parent/guardians.

The following corrective action plan will be in effect:

1. School Site Health Technicians and other staff will conduct a review of student records to ensure that student immunizations including Tdap are up to date.
2. If any student is found to not have up to date required immunizations/records, the parent/guardian of the student will be contacted to advise him/her of the immunization requirement (Tdap, included).
3. Any such student of whom up to date immunization records are not on file by January 8, 2018, shall be withheld from classes until such time as the up to date records are provided to the school site by the parent/guardian.

## **SALINAS UNION HIGH SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017**

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Health Technicians and/or other trained classified staff may be given an extra work agreement to conduct the records review during the Winter Break. If the Health Technician is not available during winter break to conduct the records review, you may contact Human Resources to schedule training arrangements for the review of records.

The District will revise the 2016-2017 Second Period and Annual ADA reports for disallowed ADA.

**SALINAS UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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



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

**VALUE THE** *difference*

Governing Board  
Salinas Union High School District  
Salinas, California

In planning and performing our audit of the financial statements of Salinas Union High School District, for the year ended June 30, 2017, 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 14, 2017, on the government-wide financial statements of the District.

***EVERETT ALVAREZ HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Observation**

While auditing the cash receipts system, we discovered that not all teachers are using sub-receipt books or a class roster (there is no supporting documentation) to document when money is being turned in, the amount of money, and by which students. Without this supporting documentation we cannot determine the deposit's intactness or if the teachers are forwarding money to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the money back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

**Recommendation**

Prenumbered receipts should be issued for all cash collections by teachers, advisors and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. A system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit.

### ***Cash Disbursements***

#### **Observation**

The student body disbursements are not always adequately supported by proper documentation. Several disbursements tested were missing the evidence of an invoice or receipt. Without the control document of an invoice or receipt, payments for unallowable expenditures or payment of services and items that have not been received may occur.

#### **Recommendation**

The site should implement procedures which require invoices or receipts to accompany all disbursements prior to payment.

#### **Observation**

During our audit, we discovered that disbursements do not always contain the proper approval signatures. We found two disbursements in our sample which were missing the approval signature from the club office and club advisor.

#### **Recommendation**

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor.

### ***Revenue Potentials***

#### **Observation**

We discovered that revenue potentials are not required to be completed by individual ASB clubs. The ASB bookkeeper will create the revenue potential during or after the event using information from club deposits and disbursements.

#### **Recommendation**

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

## ***Budgeting***

### **Observation**

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

### **Recommendation**

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

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

## ***Student Store and Concession Stands***

### **Observation**

We discovered the student store and concession stands do not have a process for tracking sales or products sold during operation. The student store does keep a monthly inventory but does not reconcile it back to daily sales. Without these steps, the site is unable to determine the number of items sold and also the amount of money that should have been collected for those sales.

### **Recommendation**

The student store needs a system to track sales every time the store is open. One option is for the site to purchase a cash register with the ability to run a z-tape type of report and restrict the ability of any students running the store to void transactions without the store advisors authorization. At the end of the day the Z report should be processed and reconciled to the money in the register. Furthermore, the store should also take a beginning and ending inventory to ensure the amount of sales revenue on the Z report coincides with the number of items sold multiplied by the respective sales price. The daily sales should then be updated on the inventory listing to be compared to the monthly inventory count. The site may also be able to use there ASB accounting system to run these procedures as well.

Concession stands should track the beginning and ending inventory and should include the number of items sold multiplied by the respective sales price. A reconciliation of ending inventory should then be performed after the event to verify the amount of money collected agrees to the number of products 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.

***SALINAS HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Revenue Potentials***

**Observation**

During our follow-up audit from the prior year, we noted revenue potential forms are still 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 and 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.

***LA PAZ MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Observation**

During our follow-up audit from the prior year, we noted the bookkeeper still 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.

**Recommendation**

Prenumbered receipts should be used for all collections by the bookkeeper, including deposits from teachers/advisors. The receipt should include a specific description of the source of the funds and the date received. The receipts issued from the bookkeeper should be totaled and reconciled to the current bank deposit.

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

*Vavrinek, Trine, Day + Co. LLP*

Fresno, California  
December 14, 2017