Financial Statements
June 30, 2020

North Monterey County Unified School District

North Monterey County Unified School District

Table of Contents

June 30, 2020

Independent Auditor's Report 1

Management's Discussion and Analysis 4

Government Wide Financial Statements

- Statement of Net Position 16
- Statement of Activities 17

Government Fund Financial Statements

- Balance Sheet – Governmental Funds 18
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 19
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 20
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 21

Proprietary Fund Financial Statements

- Statement of Net Position – Proprietary Funds 23
- Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 24
- Statement of Cash Flows – Proprietary Funds 25

Fiduciary Fund Financial Statements

- Statement of Net Position – Fiduciary Funds 26

Notes to Financial Statements 27

Required Supplementary Information

- Budgetary Comparison Schedule – General Fund 69
- Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program 70
- Schedule of the District's Proportionate Share of the Net Pension Liability 71
- Schedule of the District Contributions 72
- Note to Required Supplementary Information 73

Supplementary Information

- Schedule of Expenditures of Federal Awards 74
- Local Education Agency Organization Structure 76
- Schedule of Average Daily Attendance 77
- Schedule of Instructional Time 78
- Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 79
- Schedule of Financial Trends and Analysis 80
- First Five Grant – Schedule of Revenues and Expenditures 81
- Combining Balance Sheet – Non-Major Governmental Funds 82
- Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds 83
- Note to Supplementary Information 84
- Note to Supplementary Information 86

Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 87

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance 89

Independent Auditor's Report on State Compliance 91

Schedule of Findings and Questioned Costs

- Summary of Auditor's Results 94
- Financial Statement Findings 95
- Federal Awards Findings and Questioned Costs 96
- State Compliance Findings and Questioned Costs 97
- Summary Schedule of Prior Audit Findings 98

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Governing Board
North Monterey County Unified School District
Moss Landing, 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 North Monterey County Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

6051 N. Fresno St., Ste. 101 | Fresno, CA 93710-5280 | T 559.248.0871 | F 559.248.0875 | EOE

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 North Monterey County Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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 4 through 15, budgetary comparison information on page 69, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, 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 North Monterey County Unified School District's financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2021 on our consideration of North Monterey County Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Monterey County Unified 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 North Monterey County Unified School District's internal control over financial reporting and compliance.

Fresno, California
March 29, 2021

8142 Moss Landing Rd.
Moss Landing, CA 95039
(831) 633-3343
www.nmcusd.org

INTRODUCTION

North Monterey County Unified School District's Mission: "An innovative community school system, we equip preschool (infants) to adult students with the skills, knowledge and attitudes they will need to pursue their life goals responsibly and creatively in a radically changing society."

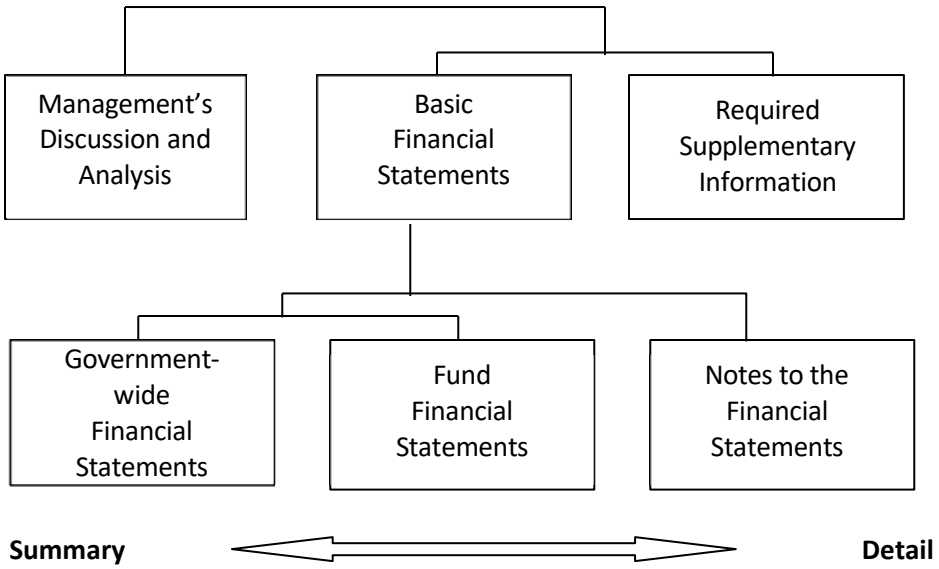
The discussion and analysis of North Monterey County Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020, with comparative information for the year ending June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, notes to financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the North Monterey County Unified School District as a financial whole; an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *Government-Wide Financial Statements,* the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's General Fund budget is included.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the District as a whole.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as condition of school buildings and other facilities,and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

- Governmental Funds

  Most of the District's activities are reported in governmental funds. The major governmental fund of the District in the current year is the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- Proprietary Funds

  Proprietary funds use the full accrual basis of accounting, the same as the District-wide statements. The District currently has one type of proprietary fund, an internal service fund. The internal service fund of the District is the Self-Insurance Fund used to account for the District's self-insured plan.

- Fiduciary Funds

  The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate fiduciary fund Statement of 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.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The District as a Whole

The District's net position was a deficit of $14.9 million at June 30, 2020. Of this amount $9.5 million was restricted. Net investment in capital assets accounted for $10.5 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

Table 1
Comparative Statement of Net Position

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	$ 28,911,920	$ 28,639,627
Capital assets	49,607,412	50,151,364
Total assets	78,519,332	78,790,991
Deferred outflows of resources	18,373,818	19,630,731
Liabilities		
Current liabilities	4,216,835	4,457,635
Long-term liabilities	104,599,920	103,080,792
Total liabilities	108,816,755	107,538,427
Deferred inflows of resources	2,949,430	2,175,208
Net Position		
Net investment in capital assets	10,544,901	10,862,853
Restricted	9,491,765	7,719,544
Unrestricted	(34,909,701)	(29,874,310)
Total net position	$ (14,873,035)	$ (11,291,913)

The District's net position was a deficit of $14.9 million for the fiscal year ended June 30, 2020. Of this amount, a deficit of $34.9 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use that net position for day to day operations. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

The outstanding long-term liabilities of $104.6 million includes net pension liability and installments of voter-approved general obligation bonds. The voters authorized a total of $20.8 million of bonded debt in 2002 and $23.8 million in 2013. Long-term liabilities also include liabilities for a capital lease, employee compensated absences, retiree benefit agreement and early retirement incentives. Additionally, the District has $4.4 million in Certificates of Participation (COP) outstanding (See Table 5 for details).

The District has completed major modernization and construction of new school facilities. The COP issuance provided the required matching funds for state construction grants. Of the $9.5 million in restricted balances, $0.5 million consists of developer fee funds restricted for projects.

The District's net position decreased $3.6 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 80.4 percent of total expenses. The purely administrative activities of the District accounted for just seven percent of total costs. The remaining 19.6 percent was spent in the areas of plant services, interest on long-term liabilities and other outgo and other expenses (See Table 2).

The cost of all governmental activities this year was $76.2 million. However, the amount our taxpayers ultimately financed through local taxes for activities other than debt service was only $18.3 million. The amount that was financed by other government agencies and organizations that subsidized certain programs with grants and contributions was $15.0 million.

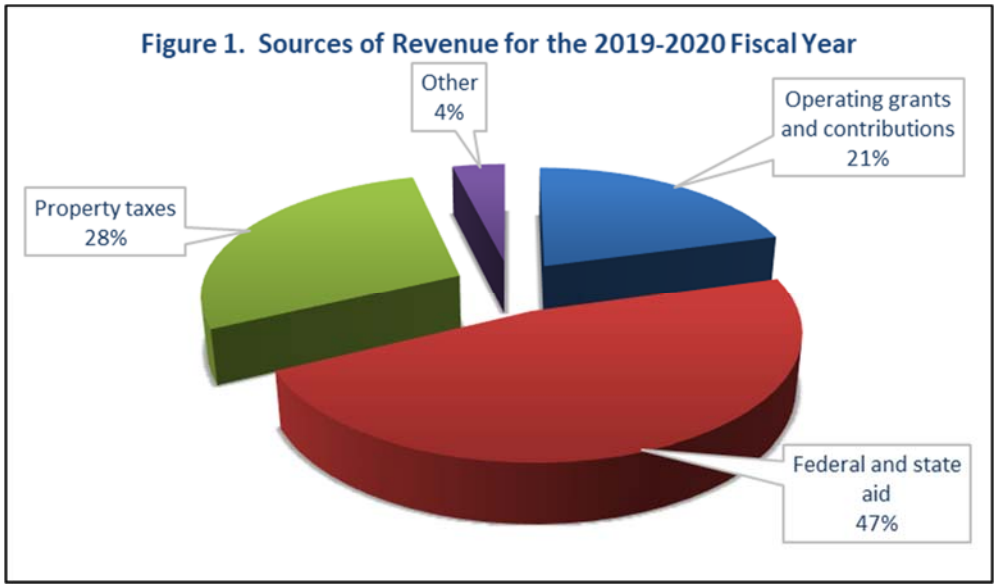
The remaining revenue consisted of federal and state aid not restricted to a specific purpose of $34.2 million, and of $2.8 million in charges for services, other local grants, and interest income. Taxes levied for debt service accounted for $2.3 million. This is based on General Obligation Bonds approved by the electorate in November 2002 and November 2013.

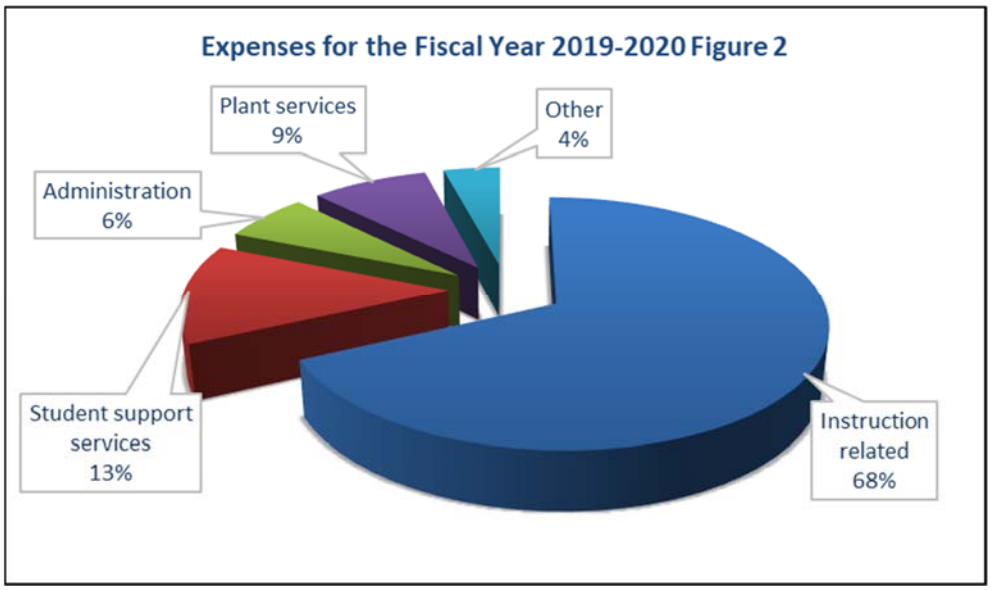
Table 2
Comparative Statement of Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 92,078	$ 106,452
Operating grants and contributions	15,014,671	16,092,365
General revenues		
Federal and State aid not restricted	34,238,882	33,342,405
Property taxes	20,567,766	20,371,926
Other general revenues	2,693,073	1,526,028
Total revenues	72,606,470	71,439,176
Expenses		
Instruction-related	50,061,804	51,817,020
Pupil services	11,169,811	10,159,192
Administration	5,165,774	4,790,300
Plant services	6,935,990	6,397,752
Other	2,854,213	3,070,687
Total expenses	76,187,592	76,234,951
Change in net position	$ (3,581,122)	$ (4,795,775)

Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was $76.2 million. The amount that our local taxpayers financed for these activities through property taxes was $20.6 million. Federal and State aid not restricted to specific purposes totaled $34.2 million. State and Federal Categorical revenue totaled over $15.0 million, or 21.0 percent of the revenue of the entire District (See Figure 1).





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

Table 3
District's Cost of Services

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 50,061,804	$ 51,817,020	$ (41,022,048)	$ (41,487,978)
Pupil services	11,169,811	10,159,192	(6,553,790)	(5,989,131)
Administration	5,165,774	4,790,300	(4,556,689)	(4,146,773)
Plant services	6,935,990	6,397,752	(6,804,040)	(6,150,199)
All other services	2,854,213	3,070,687	(2,144,276)	(2,262,053)
Total	$ 76,187,592	$ 76,234,951	$ (61,080,843)	$ (60,036,134)

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of $24.5 million an increase of $0.4 million from the previous fiscal year's combined ending balance of $24.1 million. The General Fund increased by $2.4 million primarily due to increased State funding. The Building Fund decreased $1.4 million due to ongoing construction project costs. The District's remaining Non-Major Governmental Funds decreased by $0.6 million primarily from ongoing construction project costs incurred in the Special Reserve Fund for Capital Outlay Projects.

Table 4
District's Fund Balances

	Balances and Activity			
Governmental Fund	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	$ 12,983,153	$ 63,579,763	$ 61,148,699	$ 15,414,217
Adult Education	102,833	410,999	373,691	140,141
Child Development	602,823	2,180,851	2,286,855	496,819
Cafeteria	1,771,579	3,812,879	3,504,624	2,079,834
Deferred Maintenance	658,888	515,981	369,853	805,016
Building	2,450,672	46,145	1,467,007	1,029,810
Capital Facilities	366,016	113,346	6,300	473,062
Special Reserve Fund for Capital Outlay Projects	2,054,210	34,813	1,920,170	168,853
Bond Interest and Redemption	1,611,401	2,333,673	2,269,219	1,675,855
Debt Service	1,525,042	1,627,289	934,225	2,218,106
Total	$ 24,126,617	$ 74,655,739	$ 74,280,643	$ 24,501,713

Financial Condition of the General Fund

The State of California requires that all school districts maintain a minimum reserve balance of three (3) percent in unrestricted funds of total operating expenditures. The North Monterey County Unified School District meets this requirement.

Since the 2013-2014 implementation of the Local Control Funding Formula (LCFF) which revamped the State funding structure by eliminating Revenue Limits and instead implemented a three (3)-tired formula/calculation involving base, supplemental and concentration grants; districts experienced an increase in revenue from LCFF implementation through the 2018-2019 FY, when full-funding target was met. The revamping of the state funding structure had multiple purposes which include, correcting historical inequities, restoring revenue back to the pre-Great Recession funding levels, decreasing previous constraints on restricted program expenses, transparency in funding and local control, accountability and flexibility.

Because the LCFF has reached its full-funding the District's revenue has moved into a Cost of Living Adjustment (COLA) environment only. This shift has slowed future increases in revenue. For the 2019-2020 FY the District's revenue received a 3.26% COLA only increase. The unpredictable and unstable COLA only funding environment emphasizes the need for districts to maintain larger reserves. In addition to revenue slowing based on COLA only, the COVID-19 Pandemic has ravaged the State's economy, thereby affecting the future revenue potential for districts and deeming a higher reserve even more critical than before. It is noteworthy that for the current 2020-2021 FY, although there was a projected 2.31% COLA, the actual COLA was zero. This further demonstrates the volatility of the COLA only environment districts are in.

The District's budget is further complicated by the on-going increases in Health and Welfare, the State Teachers' Retirement System (STRS), and the Public Employees Retirement System (PERS). In addition, the required increase in minimum wage, mandatory increase in step and column, increase in operating costs (increased due to COVID-19), and compensation demands, all put added strain on the District's limited revenue and the ability to maintain enough reserve balances.

Looking ahead, there will continue to be instability and uncertainty around District funds, due to the pandemic and most recently the wildfires. Future predictions and uncertainties with the changes to the State funding formula require management to plan carefully and prudently to provide the necessary resources to meet students' needs and continue to keep pace with inflation increases over the next several years. This all while, economic indicators are pointing toward a future slow down which most likely will have a negative impact on the District's revenues.

General Fund Budgetary Highlights

The District's Unrestricted General Fund projected revenues at Estimated Actuals was $52,237,415. However, the actual revenues were $52,634,768 an increase of $397,353. The District's unrestricted expenditures were projected at $44,257,993, prior to Other Financing Sources/Uses, with actual expenditures totaling $43,113,201, a difference of $1,144,792 less than projected. Expenses came in less due to on-campus school closures resulting from the COVID-19 pandemic.

The Unaudited Actuals indicate the District's unrestricted ending fund balance is $12,446,314. The fund balance is assigned based on identified needs related to the following: COVID-19 Personal Protective Equipment (PPE), sanitization and other cleaning supplies, distance learning instructional needs such as technology infrastructure updates, devices, etc., pending textbook adoptions, and pending deferrals currently projected between $7.5 and $8.5 million dollars.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District uses $5,000 as its capitalization threshold. By the end of the 2019-2020 fiscal year, the District had invested $114 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. Capital assets, net of $64.8 million of accumulated depreciation, were $49.6 million at June 30, 2020, which is a decrease of $0.5 million from the previous year.

Table 5
Comparative Schedule of Capital Assets (Net of Depreciation)

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 4,850,591	$ 4,192,198
Buildings and improvements	43,219,999	44,261,162
Equipment	1,536,822	1,698,004
Total	$ 49,607,412	$ 50,151,364

Long-Term Liabilities

At the end of this year, the District had $104.6 million in liabilities outstanding versus $103.1 million last year, an increase of $1.5 million or 1.5 percent. Those liabilities consisted of:

Table 6
Comparative Schedule of Outstanding Debt

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	$ 31,495,000	$ 32,525,000
Certificates of participation	4,380,000	4,975,000
Unamortized premiums	1,615,138	1,756,473
Capital leases	2,482,710	2,482,710
Early retirement liabilities	132,061	101,766
Retiree benefits agreement	65,096	72,329
Compensated absences	161,931	15,698
Net OPEB liability (Medicare Premium Payment Program)	284,084	287,919
Aggregate net pension liability	63,983,900	60,863,897
Total	$ 104,599,920	$ 103,080,792

The District continues to maintain sufficient credit ratings on its debt issues.

At year-end, the District has a net pension liability of $64.0 million versus $60.9 million last year, an increase of $3.1 million. The District also reported deferred outflows of resources from pension activities of $18.4 million, and deferred inflows of resources from pension activities of $2.8 million.

ENROLLMENT AND AVERAGE DAILY ATTENDANCE

Enrollment and Average Daily Attendance (ADA) trends are significant factors in the budgeting process. Specifically, the District's supplemental and concentration grant funding under LCFF are reliant on the number of unduplicated pupil counts. The District's enrollment for the 2019-2020 FY on California Basic Educational Data Systems (CBEDS) day was 4,592. Fluctuation in enrollment and ADA continues to create an unstable budget environment.

FOR THE FUTURE

Although revenue is slowing, deferrals are looming and there is continued uncertainty around state revenue; North Monterey County Unified School District ended the 2019-2020 FY with stable financials. However, District leaders must be mindful of the flat and or declining revenue and remain diligent about monitoring and adjusting spending as needed to ensure financial stability in the future, especially in light state cash deferrals.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 additional financial information, please contact Mary E. Dawson, Assistant Superintendent of Business Services for the North Monterey County Unified School District, 8142 Moss Landing Road, Moss Landing, California 95039-9617.

	Governmental Activities
Assets	
Deposits and investments	$ 22,392,018
Receivables	6,453,096
Stores inventories	66,806
Capital assets not depreciated	4,850,591
Capital assets, net of accumulated depreciation	44,756,821
Total assets	78,519,332
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	18,373,818
Liabilities	
Accounts payable	3,790,919
Unearned revenue	425,916
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,816,111
Long-term liabilities other than OPEB and pensions due in more than one year	38,515,825
Net other postemployment benefits liabilities	284,084
Aggregate net pension liabilities	63,983,900
Total liabilities	108,816,755
Deferred Inflows of Resources	
Deferred charge on refunding	119,473
Deferred inflows of resources related to pensions	2,829,957
Total deferred inflows of resources	2,949,430
Net Position	
Net investment in capital assets	10,544,901
Restricted for	
Debt service	3,893,961
Capital projects	473,062
Educational programs	3,584,076
Other restrictions	1,540,666
Unrestricted	(34,909,701)
Total net position	$ (14,873,035)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 41,308,449	$ 29,263	$ 7,741,673	$ (33,537,513)
Instruction-related activities				
Supervision of instruction	3,151,404	9,194	769,730	(2,372,480)
Instructional library, media, and technology	405,205	-	1,209	(403,996)
School site administration	5,196,746	4,942	483,745	(4,708,059)
Pupil services				
Home-to-school transportation	2,944,022	222	16,222	(2,927,578)
Food services	3,551,389	(3)	3,559,818	8,426
All other pupil services	4,674,400	927	1,038,835	(3,634,638)
Administration				
Data processing	1,441,775	-	-	(1,441,775)
All other administration	3,723,999	3,295	605,790	(3,114,914)
Plant services	6,935,990	6,153	125,797	(6,804,040)
Ancillary services	252,732	-	2,269	(250,463)
Community services	-	262	-	262
Enterprise services	81,516	-	4,731	(76,785)
Interest on long-term liabilities	1,633,444	37,823	-	(1,595,621)
Other outgo	886,521	-	664,852	(221,669)
Total governmental activities	$ 76,187,592	$ 92,078	$ 15,014,671	(61,080,843)
General Revenues and Subventions				
Property taxes, levied for general purposes				18,259,220
Property taxes, levied for debt service				2,308,546
Federal and State aid not restricted to specific purposes				34,238,882
Interest and investment earnings				490,990
Miscellaneous				2,202,083
Subtotal, general revenues				57,499,721
Change in Net Position				(3,581,122)
Net Position - Beginning				(11,291,913)
Net Position - Ending				$ (14,873,035)

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 13,591,614	$ 1,517,976	$ 7,090,126	$ 22,199,716
Receivables	5,284,504	9,246	1,158,276	6,452,026
Due from other funds	5,915	-	-	5,915
Stores inventories	-	-	66,806	66,806
Total assets	$ 18,882,033	$ 1,527,222	$ 8,315,208	$ 28,724,463
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 3,048,137	$ 497,412	$ 245,370	$ 3,790,919
Due to other funds	-	-	5,915	5,915
Unearned revenue	419,679	-	6,237	425,916
Total liabilities	3,467,816	497,412	257,522	4,222,750
Fund Balances				
Nonspendable	5,000	-	66,806	71,806
Restricted	3,251,838	1,029,810	6,239,927	10,521,575
Committed	-	-	810,925	810,925
Assigned	10,606,815	-	940,028	11,546,843
Unassigned	1,550,564	-	-	1,550,564
Total fund balances	15,414,217	1,029,810	8,057,686	24,501,713
Total liabilities and fund balances	$ 18,882,033	$ 1,527,222	$ 8,315,208	$ 28,724,463

Total Fund Balance - Governmental Funds		$ 24,501,713
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 114,410,311	
Accumulated depreciation is	(64,802,899)	
Net capital assets		49,607,412
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		193,372
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Net pension liability		18,373,818
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Debt refundings	(119,473)	
Net pension liability	(2,829,957)	
Total deferred inflows of resources		(2,949,430)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(63,983,900)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(284,084)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	(33,110,138)	
Certificates of participation	(4,380,000)	
Capital leases payable	(2,482,710)	
Compensated absences (vacations)	(161,931)	
Early retirement	(132,061)	
Retiree benefits agreement	(65,096)	
Total long-term liabilities		(40,331,936)
Total net position - governmental activities		$ (14,873,035)

North Monterey County Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2020

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 50,653,994	$ -	$ 500,000	$ 51,153,994
Federal sources	3,222,026	-	3,722,240	6,944,266
Other State sources	5,797,762	-	2,429,559	8,227,321
Other local sources	2,910,645	46,145	3,052,169	6,008,959
Total revenues	62,584,427	46,145	9,703,968	72,334,540
Expenditures				
Current				
Instruction	35,068,468	-	1,613,335	36,681,803
Instruction-related activities				
Supervision of instruction	2,123,164	-	430,488	2,553,652
Instructional library, media, and technology	345,062	-	-	345,062
School site administration	4,521,250	-	314,632	4,835,882
Pupil services				
Home-to-school transportation	2,633,565	-	-	2,633,565
Food services	51,452	-	3,335,498	3,386,950
All other pupil services	4,033,696	-	86,398	4,120,094
Administration				
Data processing	1,374,277	-	-	1,374,277
All other administration	2,848,505	-	335,710	3,184,215
Plant services	5,227,995	97,833	415,771	5,741,599
Ancillary services	246,331	-	-	246,331
Other outgo	886,521	-	-	886,521
Enterprise services	71,601	-	6,144	77,745
Facility acquisition and construction	335,949	1,369,174	1,923,517	3,628,640
Debt service				
Principal	-	-	1,625,000	1,625,000
Interest and other	55,000	-	1,578,444	1,633,444
Total expenditures	59,822,836	1,467,007	11,664,937	72,954,780
Excess (Deficiency) of Revenues Over Expenditures	2,761,591	(1,420,862)	(1,960,969)	(620,240)
Other Financing Sources (Uses)				
Transfers in	-	-	1,325,863	1,325,863
Other sources - partial insurance settlement	995,336	-	-	995,336
Transfers out	(1,325,863)	-	-	(1,325,863)
Net Financing Sources (Uses)	(330,527)	-	1,325,863	995,336
Net Change in Fund Balances	2,431,064	(1,420,862)	(635,106)	375,096
Fund Balance - Beginning	12,983,153	2,450,672	8,692,792	24,126,617
Fund Balance - Ending	$ 15,414,217	$ 1,029,810	$ 8,057,686	$ 24,501,713

Total Net Change in Fund Balances - Governmental Funds		$ 375,096
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 depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (3,890,078)	
Capital outlays	3,346,126	
Net expense adjustment		(543,952)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(176,528)
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.		(5,164,291)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		3,835
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		141,335
Deferred amount on refunding amortization		13,153

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	1,030,000
Certificates of participation	595,000
In the current year, a District retiree benefits agreement payment was recognized in the Government-Wide Financial Statements.	7,233
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	137,997
Change in net position of governmental activities	$ (3,581,122)

	Self Insurance Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 192,302
Receivables	1,070
Total current assets	193,372
Net Position	
Restricted	$ 193,372

	Self Insurance Internal Service Fund
Operating Revenues	
Charges for services	$ 134,648
Nonoperating Revenues	
Interest income	3,349
Change in Net Position	137,997
Total Net Position - Beginning	55,375
Total Net Position - Ending	$ 193,372

	Self Insurance Internal Service Fund
Operating Activities	
Cash receipts from customers	$ 133,936
Investing Activities	
Interest on investments	3,349
Net Change in Cash and Cash Equivalents	137,285
Cash and Cash Equivalents, Beginning	55,017
Cash and Cash Equivalents, Ending	$ 192,302
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	$ 134,648
Changes in assets and liabilities	
Receivables	(712)
Net Cash From Operating Activities	$ 133,936

	Agency Funds
Assets	
Deposits and investments	$ 240,596
Liabilities	
Due to student groups	$ 240,596

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The North Monterey County Unified School District was organized on July 1, 1977, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District consists of four elementary schools, one middle school, one comprehensive high school, an independent study program, a continuation school, and an adult education program.

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 North Monterey County Unified 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 Fund

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.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

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

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

- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on the District's certificates of participation.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self Insurance Fund internal service fund that accounts for dental and vision coverage.

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 District's fiduciary fund category is agency funds. 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.

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 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 financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Investments

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accounts Payable and Long-Term Liabilities

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

Debt Premiums

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums are amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

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. The deferred amounts related to pension relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension related changes.

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 deferred charges on refunding of debt and for pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP fiduciary net position reports investments at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability attributable to the governmental activities will be paid primarily by the fund for which the employee worked.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The Governing Board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. 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 $9,491,765 of restricted net position.

Interfund Activity

Transfers between governmental activities on 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of 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.

Property Tax

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

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

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

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

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

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

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

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

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

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

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

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

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

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 22,199,716
Proprietary funds	192,302
Fiduciary funds	240,596
Total deposits and investments	$ 22,632,614

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

Cash on hand and in banks	$ 1,221,474
Cash in revolving	5,000
Investments	21,406,140
Total deposits and investments	$ 22,632,614

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk 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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

Investment Type	Reported Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 21,406,140	$ -	$ -	$ 21,406,140	$ -

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2020, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	$ 1,076,774	$ -	$ 775,841	$ 1,852,615	$ -	$ 1,852,615
State Government						
LCFF apportionment	3,204,116	-	-	3,204,116	-	3,204,116
State grants and entitlements	543,037	-	295,394	838,431	-	838,431
Local sources	460,577	9,246	87,041	556,864	1,070	557,934
Total	$ 5,284,504	$ 9,246	$ 1,158,276	$ 6,452,026	$ 1,070	$ 6,453,096

Note 4 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,061,512	$ -	$ -	$ 1,061,512
Construction in progress	3,130,686	3,072,464	(2,414,071)	3,789,079
Total capital assets not being depreciated	4,192,198	3,072,464	(2,414,071)	4,850,591
Capital assets being depreciated				
Land improvements	19,313,926	3,347	-	19,317,273
Buildings and improvements	79,666,836	2,414,071	-	82,080,907
Furniture and equipment	7,891,225	270,315	-	8,161,540
Total capital assets being depreciated	106,871,987	2,687,733	-	109,559,720
Total capital assets	111,064,185	5,760,197	(2,414,071)	114,410,311
Accumulated depreciation				
Land improvements	(8,800,845)	(629,648)	-	(9,430,493)
Buildings and improvements	(45,918,755)	(2,828,933)	-	(48,747,688)
Furniture and equipment	(6,193,221)	(431,497)	-	(6,624,718)
Total accumulated depreciation	(60,912,821)	(3,890,078)	-	(64,802,899)
Governmental activities capital assets, net	$ 50,151,364	$ 1,870,119	$ (2,414,071)	$ 49,607,412

Depreciation expense was charged to functional expenditures as follows:

Governmental Activities	
Instruction	$ 2,100,641
Supervision of instruction	427,909
Instructional library, media, and technology	38,901
Home-to-school transportation	155,603
Food services	194,504
All other pupil services	233,405
All other administration	233,405
Plant services	505,710
Total depreciation expenses governmental activities	$ 3,890,078

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Fund		
General	$ 5,915	$ -
Non-Major Governmental Fund		
Child Development	-	5,915
Total	$ 5,915	$ 5,915

The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs. $ 5,915

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2020, consist of the following:

The General Fund transfered to the Debt Service Non-Major Governmental Fund for Debt Service Payment (2010 COPs). $ 1,325,863

Note 6 - Accounts Payable

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	$ 495,227	$ 497,412	$ 14,879	$ 1,007,518
State LCFF apportionment	1,831,488	-	47,543	1,879,031
Salaries and benefits	721,422	-	182,948	904,370
Total	$ 3,048,137	$ 497,412	$ 245,370	$ 3,790,919

Note 7 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	$ 135,221	$ -	$ 135,221
State categorical aid	279,958	-	279,958
Other local	4,500	6,237	10,737
Total	$ 419,679	$ 6,237	$ 425,916

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

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 32,525,000	$ -	$ (1,030,000)	$ 31,495,000	$ 1,100,000
Certificates of participation	4,975,000	-	(595,000)	4,380,000	600,000
Unamortized debt premiums	1,756,473	-	(141,335)	1,615,138	-
Capital leases	2,482,710	-	-	2,482,710	55,018
Early retirement liabilities	101,766	95,239	(64,944)	132,061	54,583
Compensated absences	15,698	146,233	-	161,931	-
Retiree benefits agreement	72,329	-	(7,233)	65,096	6,510
Total	$ 41,928,976	$ 241,472	$ (1,838,512)	$ 40,331,936	$ 1,816,111

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments for the Certificates of Participation are made by the Debt Service Fund. The capital leases are paid by the General Fund. The compensated absences, retiree benefits agreement, and early retirement obligation will be paid by the fund for which the employee worked.

Bonded Debt

On October 23, 2012, the District issued 2012 General Obligation Refunding Bonds in the principal amount of $4,425,000. The Bonds were issued to refund, on an advance basis, the portion of the District's outstanding Election of 2002, Series A General Obligation Bonds maturing on and after August 1, 2014, and to pay the costs of issuance of the Bonds. The Bonds mature through August 1, 2027.

On May 14, 2014, the District issued Election of 2013, Series A General Obligation Bonds in the principal amount of $15,500,000. The Bonds were issued to finance the acquisition and construction of educational facilities and projects, and to pay the costs of issuance of the Bonds. The bonds were issued as current interest bonds with interest payable semiannually on May 1 and November 1 of each year, commencing November 1, 2014. The Bonds mature through May 1, 2044.

On August 3, 2016, the District issued Election of 2013, Series B General Obligation Bonds in the principal amount of $8,300,000. The Series B Bonds represent the second and last issue of bonds under the 2013 Authorization. The Bonds were issued to finance the acquisition and construction of educational facilities and projects, and to pay the costs of issuance of the Bonds. The bonds were issued as current interest bonds with interest payable semiannually on May 1 and November 1 of each year, commencing February 1, 2017. The Bonds mature through May 1, 2044.

On August 3, 2016, the District issued $8,340,000 of 2016 General Obligation Refunding Bonds. The bonds were issued for the purpose of refunding, on a current basis, the District's outstanding General Obligation Bonds, Election of 2002, Series B. The refunding bonds were issued as current interest bonds with interest payable semiannually on February 1 and August 1 of each year, commencing February 1, 2017. The Bonds mature through August 1, 2029.

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Redeemed	Bonds Outstanding June 30, 2020
2013	2028	2.50	$ 4,425,000	$ 2,985,000	$ (295,000)	$ 2,690,000
2014	2044	2.00-4.00	15,500,000	14,340,000	(100,000)	14,240,000
2017	2044	2.50	8,300,000	7,920,000	(110,000)	7,810,000
2017	2030	2.00-4.00	8,340,000	7,280,000	(525,000)	6,755,000
Total				$ 32,525,000	$ (1,030,000)	$ 31,495,000

Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 1,100,000	$ 1,203,955	$ 2,303,955
2022	1,165,000	1,168,845	2,333,845
2023	1,240,000	1,131,380	2,371,380
2024	1,305,000	1,091,676	2,396,676
2025	1,390,000	1,044,562	2,434,562
2026-2030	7,465,000	4,367,275	11,832,275
2031-2035	4,270,000	3,185,527	7,455,527
2036-2040	6,465,000	2,101,323	8,566,323
2041-2044	7,095,000	672,900	7,767,900
Total	$ 31,495,000	$ 15,967,443	$ 47,462,443

Certificates of Participation

On July 14, 2010, the District issued 2010 Certificates of Participation in the principal amount of $10,000,000. The Certificates are designated as Qualified School Construction Bonds under which the District receives Federal subsidy payments which are pledged to the payment of interest on the Certificates. The Certificates were issued to finance various capital projects of the District, to fund a reserve fund surety for the lease payments, and to pay costs of executing and delivering the Certificates. Interest on the Certificates ranges from 5.75 to 7.00 percent and is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2010.

The 2010 Certificates of Participation mature through 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 600,000	$ 300,550	$ 900,550
2022	610,000	300,550	910,550
2023	620,000	221,900	841,900
2024	625,000	221,900	846,900
2025	635,000	221,900	856,900
2026-2027	1,290,000	443,800	1,733,800
Total	$ 4,380,000	$ 1,710,600	$ 6,090,600

Capital Leases

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

	Total
Balance, July 1, 2019	$ 2,482,710
Balance, July 1, 2020	$ 2,482,710

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 143,357
2022	139,660
2023	144,565
2024	149,643
2025	154,899
2026-2030	860,034
2031-2035	1,022,066
2036-2039	954,647
Total	3,568,871
Less amount representing interest	(1,086,161)
Present value of minimum lease payments	$ 2,482,710

Retiree Benefits Agreement

The District has an agreement with one former District employee in which the former employee continues to receive health and welfare benefits. At June 30, 2020, the obligation was calculated to be $65,096.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $161,931.

Early Retirement Obligations

The Governing Board has offered early retirement incentive programs to certificated and classified employees meeting certain negotiated criteria. The early retirement incentives were implemented as a cost savings strategy and required no further services to be performed by the retiree.

In the current year, four certificated employees accepted early retirement incentives. A total of nine retirees are currently receiving benefits under various agreements. The projected costs for current participants for future years are accrued as long-term liabilities in the District's Government-wide financial statements are as follows:

Year Ending June 30,	Obligation
2021	$ 54,582
2022	41,699
2023	33,763
2024	2,017
Total	$ 132,061

Note 9 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	OPEB Expense
Medicare Premium Payment (MPP) Program	$ 284,084	$ (3,835)

The details of the plan are as follows:

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $284,084 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0763 percent and 0.0752 percent, resulting in a net increase in the proportionate share of 0.0011 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $(3,835).

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 310,001
Current discount rate (3.50%)	284,084
1% increase (4.50%)	260,255

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 266,272
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	284,084
1% increase (4.7% Part A and 5.1% Part B)	319,664

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Stores inventories	-	-	66,806	66,806
Total nonspendable	5,000	-	66,806	71,806
Restricted				
Legally restricted programs	3,251,838	-	-	3,251,838
Food service	-	-	1,540,666	1,540,666
Child deveolpment program	-	-	198,006	198,006
Adult education program	-	-	134,232	134,232
Capital projects	-	1,029,810	473,062	1,502,872
Debt services	-	-	3,893,961	3,893,961
Total restricted	3,251,838	1,029,810	6,239,927	10,521,575
Committed				
Adult education program	-	-	5,909	5,909
Deferred maintenance program	-	-	805,016	805,016
Total committed	-	-	810,925	810,925
Assigned				
SRO/Vaping/Safety program through 21-22	250,000	-	-	250,000
Before/After school expansion program	160,000	-	-	160,000
Site security cameras	200,000	-	-	200,000
20-21 Deferrals	2,826,050	-	-	2,826,050
Classroom instructional materials (COVID)	164,313	-	-	164,313
Athletic budget contingency	255,000	-	-	255,000
Special Education contingency	445,000	-	-	445,000
STRS & PERS increase 21-22 through 22-23	1,045,469	-	-	1,045,469
COPs payments through 22-23	1,327,000	-	-	1,327,000
ELA 7-12 materials	20,000	-	-	20,000
TK-5 Math materials	300,000	-	-	300,000
TK-5 Social Studies materials	200,000	-	-	200,000
TK-5 Science materials	220,000	-	-	220,000
9-12 Math materials	250,000	-	-	250,000
9-12 Science materials	315,000	-	-	315,000
Replacement Chromebooks/tablets	850,000	-	-	850,000
Student Internet 250/yr (COVID)	750,000	-	-	750,000
Classroom devices/connectivity (COVID)	600,000	-	-	600,000
Distance learning/sanitation (COVID)	398,983	-	-	398,983
ELA/ELD TK materials	30,000	-	-	30,000
Child development programs	-	-	298,813	298,813
Enterprise expenditures	-	-	472,362	472,362
Renewable energy projects	-	-	168,853	168,853
Total assigned	10,606,815	-	940,028	11,546,843
Unassigned				
Reserve for economic uncertainties	1,550,564	-	-	1,550,564
Total	$ 15,414,217	$ 1,029,810	$ 8,057,686	$ 24,501,713

Note 11 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Monterey and San Benito Counties Property/Liability Joint Powers Authority (MC/SB P&L JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2020, the District participated in the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS). The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. 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 PIPS. Participation in PIPS is limited to districts that can meet PIPS selection criteria.

Employee Medical Benefits

The District is a member of California's Valued Trust (CVT). CVT is a Joint Powers Authority formed out of the California Government Code which allows public agencies to jointly maintain and operate an agency that serves a common purpose. One of the programs offered by CVT that the District participates in is Vision and Dental benefits for school employees. Some of the programs are self-insured while others are fully-insured or a combination of both. The coverage year for the Vision and Dental programs run from January 1 through December 31. The District also self-insures all non-CSEA employees and all retirees for Dental and Vision Benefits and has contracted with Keenan & Associates to provide administration for related claims.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 38,947,084	$ 11,367,805	$ 2,597,737	$ 5,227,645
CalPERS	25,036,816	7,006,013	232,220	5,246,680
Total	$ 63,983,900	$ 18,373,818	$ 2,829,957	$ 10,474,325

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $4,042,214.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 38,947,084
State's proportionate share of the net pension liability	21,248,234
Total	$ 60,195,318

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0431 percent and 0.0419 percent, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,227,645. In addition, the District recognized pension expense and revenue of $3,164,320 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,042,214	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,301,315	-
Differences between projected and actual earnings on pension plan investments	-	1,500,253
Differences between expected and actual experience in the measurement of the total pension liability	98,321	1,097,484
Changes of assumptions	4,925,955	-
Total	$ 11,367,805	$ 2,597,737

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

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

Year Ended June 30,	Deferred Inflows of Resources
2021	$ (151,326)
2022	(1,191,024)
2023	(247,275)
2024	89,372
Total	$ (1,500,253)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,551,762
2022	1,551,763
2023	1,442,647
2024	1,493,291
2025	151,997
Thereafter	36,647
Total	$ 6,228,107

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting

Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 57,995,431
Current discount rate (7.10%)	38,947,084
1% increase (8.10%)	23,152,376

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $2,617,985.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $25,036,816. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0859 percent and 0.0838 percent, resulting in a net increase in the proportionate share of 0.0021 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,246,680. At June 30, 2020, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,617,985	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,377,520	-
Differences between projected and actual earnings on pension plan investments	-	232,220
Differences between expected and actual experience in the measurement of the total pension liability	1,818,678	-
Changes of assumptions	1,191,830	-
Total	$ 7,006,013	$ 232,220

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

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

Year Ended June 30,	Deferred Inflows of Resources
2021	$ 229,229
2022	(457,875)
2023	(69,386)
2024	65,812
Total	$ (232,220)

The deferred outflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2021	$ 2,643,260
2022	1,290,101
2023	413,332
2024	41,335
Total	$ 4,388,028

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	(0.9%)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 36,088,924
Current discount rate (7.15%)	25,036,816
1% increase (8.15%)	15,868,329

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees.

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 as its alternative plan. 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 $2,219,456 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions totaling $744,477 have been recorded in these financial statements. On behalf payments related to these additional contributions have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

Note 13 - Commitments and Contingencies

Grants

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

Litigation

The District is not currently a party to any legal proceedings.

Operating Leases

The District has entered into various operating leases for equipment with no lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

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

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Central Bay High School modular classrooms and site improvements	$ 453,141	December 2020
District-wide - capital improvements	299,689	December 2020
Total	$ 752,830	

Note 14 - Participation in Public Entity Risk Pools

The District is a member of the Monterey and San Benito Counties Property/Liability Joint Powers Authority (MC/SB P&L JPA), the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS), and California's Valued Trust (CVT) public entity risk pools. The District pays an annual premium to the pools for its property/liability, workers' compensation, and health and welfare coverage. The relationships between the District and the pools are such that the pools are not component units of the District for financial reporting purposes.

The pools have budgeting and financial reporting requirements independent of their member units and their financial statements are not presented in these financial statements; however, fund transactions between the pools and the District are included in these statements.

During the year ended June 30, 2020, the District made payments of $408,642 to MC/SB P&L JPA for property/liability coverage, $1,233,505 to PIPS for workers' compensation coverage, and $4,886,854 to CVT for health and welfare coverage.

Note 15 - Risks and Uncertainties

World-Wide Coronavirus Pandemic

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

Required Supplementary Information
June 30, 2020

North Monterey County Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 50,489,184	$ 50,653,994	$ 50,653,994	$ -
Federal sources	2,778,992	3,336,181	3,222,026	(114,155)
Other State sources	4,615,164	5,486,738	5,797,762	311,024
Other local sources	2,153,451	2,796,493	2,910,645	114,152
Total revenues [1]	60,036,791	62,273,406	62,584,427	311,021
Expenditures				
Current				
Certificated salaries	24,737,738	23,846,069	23,748,919	97,150
Classified salaries	11,891,032	12,110,047	12,027,302	82,745
Employee benefits	15,666,729	15,332,532	16,107,756	(775,224)
Books and supplies	3,062,211	4,792,022	2,135,073	2,656,949
Services and operating expenditures	4,872,245	5,750,065	4,716,516	1,033,549
Other outgo	775,816	563,015	550,811	12,204
Capital outlay	-	1,864,936	481,459	1,383,477
Debt service				
Debt service - principal	(32,710)	(31,825)	-	(31,825)
Debt service - interest and other	87,710	87,710	55,000	32,710
Total expenditures [1]	61,060,771	64,314,571	59,822,836	4,491,735
Excess (Deficiency) of Revenues Over Expenditures	(1,023,980)	(2,041,165)	2,761,591	4,802,756
Other Financing Sources (Uses)				
Other sources	-	995,336	995,336	-
Transfers out	(1,325,863)	(1,325,863)	(1,325,863)	-
Net financing sources (uses)	(1,325,863)	(330,527)	(330,527)	-
Net Change in Fund Balances	(2,349,843)	(2,371,692)	2,431,064	4,802,756
Fund Balance - Beginning	12,983,153	12,983,153	12,983,153	-
Fund Balance - Ending	$ 10,633,310	$ 10,611,461	$ 15,414,217	$ 4,802,756

[1] On behalf payments of $744,477 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

North Monterey County Unified School District

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

Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0763%	0.0752%	0.0739%
Proportionate share of the net OPEB liability	$ 284,084	$ 287,919	$ 311,023
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

North Monterey County Unified School District

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

Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.0431%	0.0419%	0.0408%	0.0401%	0.0398%	0.0376%
Proportionate share of the net pension liability	$ 38,947,084	$ 38,516,133	$ 37,764,034	$ 32,396,266	$ 26,815,220	$ 22,206,059
State's proportionate share of the net pension liability	21,248,234	22,052,287	22,340,884	18,442,616	14,182,295	13,408,018
Total	$ 60,195,318	$ 60,568,420	$ 60,104,918	$ 50,838,882	$ 40,997,515	$ 35,614,077
Covered payroll	$ 23,508,655	$ 22,608,780	$ 21,998,005	$ 20,284,995	$ 19,105,518	$ 16,916,123
Proportionate share of the net pension liability as a percentage of its covered payroll	165.67%	170.36%	171.67%	159.71%	140.35%	131.27%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.0859%	0.0838%	0.0758%	0.0699%	0.0644%	0.0653%
Proportionate share of the net pension liability	$ 25,036,816	$ 23,347,764	$ 18,086,721	$ 13,797,307	$ 9,492,836	$ 7,413,140
Covered payroll	$ 12,077,145	$ 11,226,186	$ 9,771,457	$ 8,518,773	$ 7,490,740	$ 6,876,402
Proportionate share of the net pension liability as a percentage of its covered payroll	207.31%	207.98%	185.10%	161.96%	126.73%	107.81%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

See Note to Required Supplementary Information

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 4,042,214	$ 3,827,209	$ 3,262,447	$ 2,767,349	$ 2,176,580	$ 1,696,570
Less contributions in relation to the contractually required contribution	4,042,214	3,827,209	3,262,447	2,767,349	2,176,580	1,696,570
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$23,638,678	$23,508,655	$22,608,780	$21,998,005	$20,284,995	$19,105,518
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 2,617,985	$ 2,181,374	$ 1,743,539	$ 1,357,060	$ 1,009,219	$ 881,735
Less contributions in relation to the contractually required contribution	2,617,985	2,181,374	1,743,539	1,357,060	1,009,219	881,735
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$13,275,113	$12,077,145	$11,226,186	$ 9,771,457	$ 8,518,773	$ 7,490,740
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

Supplementary Information
June 30, 2020

North Monterey County Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	$ 804,077
Special Education Grants to States - Supporting Inclusive Practices	84.027	13693	12,600
Total Special Education Cluster			816,677
Migrant Education State Grant Program	84.011	14326	309,441
Migrant Education State Grant Program - Summer Program	84.011	10005	201,404
Subtotal			510,845
Title I Grants to Local Educational Agencies	84.010	14329	754,959
Title I Grants to Local Educational Agencies - ESSA CSI Funding for LEAs	84.010	15348	167,410
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	233,874
English Language Acquisition State Grants - LEP	84.365	14346	189,521
Student Support and Academic Enrichment Program	84.424	15396	47,887
Student Support and Academic Enrichment Program	84.424	15391	372,264
Twenty-First Century Community Learning Centers	84.287	14349	94,232
Career and Technical Education - Basic Grants to States	84.048	14894	34,357
Total U.S. Department of Education			3,222,026

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	1,206,276
National School Lunch Program - Meal Supplements	10.555	13396	11,974
School Breakfast Program - Especially Needy Breakfast	10.553	13526	530,773
National School Lunch Program - Summer Food Program	10.559	13004	1,244,197
National School Lunch Program - Commodity Supplemental Food	10.555	13391	131,294
Total Child Nutrition Cluster			3,124,514
Child and Adult Care Food Program	10.558	13393	317,405
Fresh Fruit and Vegetable Program	10.582	14968	25,649
Total U.S. Department of Agriculture			3,467,568
Total Expenditures of Federal Awards			$ 6,689,594

See Note to Supplementary Information

Organization

North Monterey County Unified School District was organized on July 1, 1977, following a unification election in the former North Monterey County Union School District. The District consists of four elementary schools, one middle school, one comprehensive high school, an independent study program, a continuation school and an adult education program.

Governing Board

Member	Office	Term Expires
Martha Chavarria	President	2020
Adrian Ayala	Vice President	2022
Elizabeth Samuels	Clerk	2020
Lillian Mulvey	Member	2020
Kyle Samuels	Member	2022

Administration

Kari Yeater	Superintendent and Secretary of Board
Liann Reyes	Assistant Superintendent Business Services

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,349.70	1,349.70
Fourth through sixth	1,017.20	1,017.20
Seventh and eighth	666.22	666.22
Ninth through twelfth	1,306.70	1,306.70
Total regular ADA	4,339.82	4,339.82
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.72	1.72
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.43	0.43
Total ADA	4,341.97	4,341.97

See Note to Supplementary Information

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,140	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,056	180	N/A	Complied
Grade 2		55,056	180	N/A	Complied
Grade 3		55,056	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,056	180	N/A	Complied
Grade 5		55,056	180	N/A	Complied
Grade 6		55,056	180	N/A	Complied
Grade 7		55,714	180	N/A	Complied
Grade 8		55,714	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,905	180	N/A	Complied
Grade 10		94,905	180	N/A	Complied
Grade 11		64,905	180	N/A	Complied
Grade 12		64,905	180	N/A	Complied

N/A - Not Applicable

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

	(Budget) 2021 [1]	2020	2019	2018
General Fund				
Revenues	$ 55,937,095	$ 62,584,427	$ 63,134,611	$ 55,475,075
Other sources	-	995,336	16,783	782,321
Total Revenues and Other Sources	55,937,095	63,579,763	63,151,394	56,257,396
Expenditures	56,510,701	59,822,836	61,329,559	54,994,020
Other uses and transfers out	-	1,325,863	300,000	-
Total Expenditures and Other Uses	56,510,701	61,148,699	61,629,559	54,994,020
Increase/(Decrease) in Fund Balance	(573,606)	2,431,064	1,521,835	1,263,376
Ending Fund Balance	$ 14,840,611	$ 15,414,217	$ 12,983,153	$ 11,461,318
Available Reserves [2]	$ 1,695,400	$ 1,550,564	$ 1,782,000	$ 1,650,000
Available Reserves as a Percentage of Total Outgo	3%	3%	3%	3%
Long-Term Liabilities	Not Available	$ 104,599,920	$ 103,080,792	$ 97,324,666
Average Daily Attendance at P-2	4,336	4,342	4,325	4,366

The General Fund balance has increased by $3,952,899 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $573,606 (3.7 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $7,275,254 over the past two years primarily due to increases in the District's net pension liability obligations.

Average daily attendance has decreased by 24 over the past two years. Additional decline of six ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

Revenues		
First Five Monterey County - prior year	$	33,337
First Five Monterey County - current year		227,328
Total Revenues	$	260,665
Expenditures		
Personnel	$	189,210
Benefits		50,046
Program support expenses		8,996
Indirect cost		12,413
Total expenditures	$	260,665
Excess of Revenues over Expenditures	$	-

See Note to Supplementary Information

North Monterey County Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets									
Deposits and investments	$ 124,482	$ 348,964	$ 1,244,372	$ 803,807	$ 470,632	$ 217,576	$ 1,675,855	$ 2,204,438	$ 7,090,126
Receivables	33,663	257,082	844,925	4,609	2,430	1,899	-	13,668	1,158,276
Stores inventories	-	-	66,806	-	-	-	-	-	66,806
Total assets	$ 158,145	$ 606,046	$ 2,156,103	$ 808,416	$ 473,062	$ 219,475	$ 1,675,855	$ 2,218,106	$ 8,315,208
Liabilities and Fund Balances									
Liabilities									
Accounts payable	$ 18,004	$ 103,312	$ 70,032	$ 3,400	$ -	$ 50,622	$ -	$ -	$ 245,370
Due to other funds	-	5,915	-	-	-	-	-	-	5,915
Unearned revenue	-	-	6,237	-	-	-	-	-	6,237
Total liabilities	18,004	109,227	76,269	3,400	-	50,622	-	-	257,522
Fund Balances									
Nonspendable	-	-	66,806	-	-	-	-	-	66,806
Restricted	134,232	198,006	1,540,666	-	473,062	-	1,675,855	2,218,106	6,239,927
Committed	5,909	-	-	805,016	-	-	-	-	810,925
Assigned	-	298,813	472,362	-	-	168,853	-	-	940,028
Total fund balances	140,141	496,819	2,079,834	805,016	473,062	168,853	1,675,855	2,218,106	8,057,686
Total liabilities and fund balances	$ 158,145	$ 606,046	$ 2,156,103	$ 808,416	$ 473,062	$ 219,475	$ 1,675,855	$ 2,218,106	$ 8,315,208

North Monterey County Unified School District

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

Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues									
Local Control Funding Formula	$ -	$ -	$ -	$ 500,000	$ -	$ -	$ -	$ -	$ 500,000
Federal sources	-	-	3,467,568	-	-	-	-	254,672	3,722,240
Other State sources	408,403	1,758,161	247,791	-	-	-	15,204	-	2,429,559
Other local sources	2,596	422,690	97,520	15,981	113,346	34,813	2,318,469	46,754	3,052,169
Total revenues	410,999	2,180,851	3,812,879	515,981	113,346	34,813	2,333,673	301,426	9,703,968
Expenditures									
Current									
Instruction	261,292	1,352,043	-	-	-	-	-	-	1,613,335
Instruction-related activities									
Supervision of instruction	29,422	401,066	-	-	-	-	-	-	430,488
School site administration	55,993	258,639	-	-	-	-	-	-	314,632
Pupil services									
Food services	-	-	3,335,498	-	-	-	-	-	3,335,498
All other pupil services	-	86,398	-	-	-	-	-	-	86,398
Administration									
All other administration	16,671	156,057	162,982	-	-	-	-	-	335,710
Plant services	10,313	32,652	-	366,506	6,300	-	-	-	415,771
Enterprise services	-	-	6,144	-	-	-	-	-	6,144
Facility acquisition and construction	-	-	-	3,347	-	1,920,170	-	-	1,923,517
Debt service									
Principal	-	-	-	-	-	-	1,030,000	595,000	1,625,000
Interest and other	-	-	-	-	-	-	1,239,219	339,225	1,578,444
Total expenditures	373,691	2,286,855	3,504,624	369,853	6,300	1,920,170	2,269,219	934,225	11,664,937
Excess (Deficiency) of Revenues Over Expenditures	37,308	(106,004)	308,255	146,128	107,046	(1,885,357)	64,454	(632,799)	(1,960,969)
Other Financing Sources									
Transfers in	-	-	-	-	-	-	-	1,325,863	1,325,863
Net Change in Fund Balances	37,308	(106,004)	308,255	146,128	107,046	(1,885,357)	64,454	693,064	(635,106)
Fund Balance - Beginning	102,833	602,823	1,771,579	658,888	366,016	2,054,210	1,611,401	1,525,042	8,692,792
Fund Balance - Ending	$ 140,141	$ 496,819	$ 2,079,834	$ 805,016	$ 473,062	$ 168,853	$ 1,675,855	$ 2,218,106	$ 8,057,686

See Note to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the North Monterey County Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position or fund balance nor changes thereof for the District.

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

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

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling $131,294 in inventory.

SEFA Reconciliation
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 a Qualified School Construction Bond Federal Subsidy.

Description	CFDA Number	Amount
Total Federal Revenues reported on the financial statements		$ 6,944,266
Federal interest subsidy		(254,672)
Total Schedule of Expenditures of Federal Awards		$ 6,689,594

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 53 days due to the pandemic. As a result, the District received credit for these 53 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

First Five Grant

This schedule discloses the District's revenues and expenditures that occurred during the fiscal year to support the First 5 Program. The program is funded from the Tobacco tax money referred to as Proposition 10 money. The program's objectives are to provide early care and educational services with Kindergarten transition programs, provide parenting and family support services, provide health and social services, and to assist in the school's capacity to prepare children and families for school success.

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Reports
June 30, 2020

North Monterey County Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
North Monterey County Unified School District
Moss Landing, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Monterey County Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise North Monterey County Unified School District's basic financial statements and have issued our report thereon dated March 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Monterey County Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Monterey County Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Monterey County Unified School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of North Monterey County Unified School District in a separate letter dated March 29, 2021.

Purpose of this Report

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

Eide Bailly LLP

Fresno, California
March 29, 2021

EideBailly

CPAs & BUSINESS ADVISORS

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

To the Governing Board
North Monterey County Unified School District
Moss Landing, California

Report on Compliance for Each Major Federal Program

We have audited North Monterey County Unified 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 North Monterey County Unified School District's major federal programs for the year ended June 30, 2020. North Monterey County Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Monterey County Unified 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 North Monterey County Unified 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 North Monterey County Unified School District's compliance.

Opinion on Each Major Federal Program
In our opinion, North Monterey County Unified School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance
Management of North Monterey County Unified 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 North Monterey County Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North Monterey County Unified School District's internal control over compliance.

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

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

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

Eide Bailly LLP

Fresno, California
March 29, 2021

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

To the Governing Board
North Monterey County Unified School District
Moss Landing, California

Report on State Compliance
We have audited North Monterey County Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

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

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2018-2019 that were in Kindergarten in 2019-2020.

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.

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

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

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

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

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

Unmodified Opinion
In our opinion, North Monterey County Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

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

Fresno, California
March 29, 2021

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster	84.027

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

STATE COMPLIANCE

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

None reported.

None reported.

None reported.

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