Board approved 1/13/20

Salinas City Elementary School District

<table>
<tr><td rowspan="2">REPORT TO BOARD OF TRUSTEES</td><td>BOARD MEETING DATE:
01-13-20</td><td>School Site Plan Reference Page</td></tr>
<tr><td colspan="2">Approved By Date:
Asst. Supt.: Bus. Dept.
12/18/19
Asst. Supt.: Ed Serv. 12/18/19
Asst. Supt.: Human Resources 12/19/19
Superintendent:</td></tr>
<tr><td colspan="3">DATE: December 18, 2019

FROM: Sara M Perez, Assistant Superintendent of Business Services

SIGNATURE:</td></tr>
</table>

SUBJECT: Annual Audit Report as of June 30, 2019 - **ACTION**

ATTACHMENTS:
Annual Financial Report as of June 30, 2019

RECOMMENDATION:

Approval by the Board

ANALYSIS:
Ed Code section 41372 requires that the district be audited annually by an independent audit firm. VTD completed this audit after conducting visits to select sites and a comprehensive visit to the Business Services Department.

FISCAL IMPACT:
None

PROGRAM IMPACT:
None

Annual Financial Statements
June 30, 2019

Salinas City Elementary School District

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Salinas City Elementary School District
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas City Elementary School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas City Elementary School District, as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the District's capital assets beginning balance was restated based on the results of an updated asset valuation. Accordingly, this adjustment was corrected in the current year and has resulted in a restatement of Net Position as of July 1, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 72, schedule of the District's proportionate share of the net pension liability on page 73, and the schedule of District contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the Salinas City Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salinas City Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas City Elementary School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fresno, California
December 16, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of Salinas City Elementary School District is to provide qualified educators and a collaborative environment where students receive a high quality education using 21st Century teaching techniques and resources, and are challenged and encouraged to excel. The District is located in the community of Salinas in Monterey County. This community of 160,000 population, located 110 miles south of San Francisco and 16 miles east of Monterey, is predominantly an agricultural community that includes a large migrant population. The District served approximately 8,600 students in 2018-2019.

The District operated 14 elementary schools in 2018-2019 and serves under a locally elected five-member Board of Education.

This section of Salinas City Elementary School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) and deferred outflows of resources, as well as all liabilities (including long-term obligations) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.
>
> The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the Salinas City Elementary School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds **-** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position.* We use internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds 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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(43.4) million for the fiscal year ended June 30, 2019. Of this amount, $6.2 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities		
	2019	2018, as restated	Difference
Assets			
Current and other assets	$ 53.5	$ 51.7	$ 1.8
Capital assets	60.7	62.3	(1.6)
Total Assets	114.2	114.0	0.2
Deferred Outflows of Resources	29.3	29.9	(0.6)
Liabilities			
Current liabilities	6.5	6.4	0.1
Long-term obligations	82.9	82.5	0.4
Net pension liability	92.3	87.7	4.6
Total Liabilities	181.7	176.6	5.1
Deferred Inflows of Resources	5.2	5.3	(0.1)
Net Position			
Net investment in capital assets	20.2	20.9	(0.7)
Restricted	6.2	4.5	1.7
Unrestricted	(69.8)	(63.4)	(6.4)
Total Net Position, as restated	**$ (43.4)**	**$ (38.0)**	**$ (5.4)**

The $(43.4) million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 10.1 percent ($(69.8) million compared to $(63.4) million).

Changes in Net Position

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

Table 2

(Amounts in millions)	Governmental Activities		
	2019	2018	Difference
Revenues			
Program revenues:			
Charges for services	$ 0.2	$ 0.3	$ (0.1)
Operating grants and contributions	27.2	24.4	2.8
General revenues:			
Federal and State aid not restricted	72.4	68.2	4.2
Property taxes	23.3	21.6	1.7
Other general revenues	2.4	3.5	(1.1)
Total Revenues	125.5	118.0	7.5
Expenses			
Instruction related	91.9	87.7	4.2
Pupil services	14.2	13.1	1.1
Administration	6.2	6.3	(0.1)
Plant services	8.5	8.3	0.2
Other	10.1	11.9	(1.8)
Total Expenses	130.9	127.3	3.6
Change in Net Position	$ (5.4)	$ (9.3)	$ 3.9

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $130.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $23.3 million because the cost was paid by those who benefited from the programs ($0.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($27.2 million). We paid for the remaining "public benefit" portion of our governmental activities with, $72.4 million in Federal and State funds and with other revenues, like interest and general entitlements.

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

(Dollar amounts in millions)	Net Cost of Services	
	2019	2018
Instruction	$ 75.7	$ 73.4
Pupil services	6.3	5.6
Administration	5.5	5.8
Plant services	8.3	8.3
All other services	7.7	9.5
Total	**$ 103.5**	**$ 102.6**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $36.2 million, which is an increase of $1.5 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances		
	2019	2018	Difference
General	$ 13.8	$ 11.7	$ 2.1
Building	17.7	19.8	(2.1)
Non-Major Funds	4.7	3.2	1.5
Total	**$ 36.2**	**$ 34.7**	**$ 1.5**

The General Fund increased by $2.1 million due primarily to increased State funding. The Building Fund decreased by $2.1 million due primarily to ongoing construction projects. The District's non-major governmental funds increased by $1.5 million due primarily to a transfer of $1.5 million to the Debt Service Fund for debt payments.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it deals with regular budget execution and unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 9, 2019 (2018-2019 Unaudited Actuals). A schedule showing the General Fund original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements.

The District projected a decrease in the General Fund of approximately $1.4 million. However, revenues and were approximately $3.3 million more than projected and expenditures and transfers out were $0.1 million less than expected, resulting in an increase to the General Fund of $2.0 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $60.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1.6 million, or 2.6 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		
	2019	2018	Difference
Land	$ 7.5	$ 7.5	$ -
Construction in progress	1.6	0.2	1.4
Buildings and improvements	51.0	54.1	(3.1)
Equipment	0.6	0.5	0
Total	**$ 60.7**	**$ 62.3**	**$ (1.6)**

Long-Term Obligations

At the end of this year, the District had $82.9 million in long-term obligations outstanding versus $82.5 million last year, a decrease of $0.4 million. Those long-term obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities		
	2019	2018, as restated	Difference
General obligation bonds	$ 43.6	$ 44.2	$ (0.6)
Certificates of participation	14.8	14.9	(0.1)
Compensated absences	0.2	0.2	-
State preschool loan	- [1]	- [1]	-
Capital leases	0.4	0.6	(0.2)
Other postemployment benefits (OPEB) liability	23.9	22.6	1.3
Total	**$ 82.9**	**$ 82.5**	**$ 0.4**

[1] Amounts less than $50,000.

The District's S&P general obligation bond rating continues to be "AAA/A-." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $43.6 million is below the statutorily-imposed limit. We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of $92.3 million versus $87.7 million last year, an increase of $4.6 million, or 5.2 percent. The District also reported deferred outflows of resources from pension activities of $28.7 million, and deferred inflows of resources from pension activities of $5.2 million. We present more detailed information regarding our NPL in the Notes to Financial Statements.

FINANCIAL STATUS OF DISTRICT AND NEXT YEAR'S BUDGET

Salinas City Elementary School District continues to recover from the extended period of reduced funding from the deficit factor and deferred State payments as we have implemented the Local Control Funding Formula (LCFF). This has allowed the District to hire additional teachers to reduce class sizes consistent with Grade Span Adjustment (GSA) requirements as amended in our side letter with our bargaining unit. It is notable that the recent years of growth of our student population peaked in 2014-2015 and the District has experienced declining enrollment for the past five years. Enrollment decreases are being projected in the budget year and out years. We closed 2018-2019 with Reserve levels above the mandated State minimum and project carrying these forward through the current year as we budget to account for further decline in enrollment. The Board approved our multi-year budget on June 17, 2019, where we certified Positive for the current budget year and the two subsequent years' projections.

The LCFF has been used to build our budget and out year projections as required by CDE. The preponderance of new funds continues to flow from Supplemental and Concentration dollars and is closely controlled by the Local Control and Accountability Plan (LCAP). Due to the full funding of LCFF by the state, future funding increases will come from increases in ADA or COLA percentages.

For 2019-2020, the District has budgeted excess reserve funds that will cover required funding in the two subsequent years, while continuing prudent budgeting in 2020-2021 and 2021-2022 in the multiyear projections approved by the Board. We have budgeted conservatively for those two years based on modest economic improvements expected and the US and world economic indicators. An expenditure freeze implemented in the Spring of 2019 assisted the district in turning an anticipated $800,000 deficit into a positive ending balance of $1.9 million. We have continued to stabilize benefits contributions with bargaining units, albeit with the highest compensated benefits packages of any non-basic aid district in our county. This will be of even increased importance in the out years as we fund the growth in our teacher population to support GSA class size reductions. Additionally, we still retain an unfunded liability in Fund 67 amid the expectation that CDE will continue to place the weight of "saving" CalSTRS and CalPERS disproportionately on the District's back.

THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances, and to demonstrate the District's fiscal accountability for the money it receives. Should you have questions about this report or need additional financial information, please contact the Assistant Superintendent of Business Services at 831-784-2288.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 49,769,629
Receivables	3,683,972
Stores inventories	55,736
Nondepreciable capital assets	9,138,809
Capital assets being depreciated	131,133,659
Accumulated depreciation	(79,597,128)
Total Assets	114,184,677
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	154,058
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	541,101
Deferred outflows of resources related to pensions	28,657,722
Total Deferred Outflows of Resources	29,352,881
LIABILITIES	
Overdrafts	205,180
Accounts payable	6,191,829
Unearned revenue	97,342
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,270,013
Noncurrent portion of long-term obligations other than pensions	81,606,237
Total Long-Term Obligations	82,876,250
Aggregate net pension liability	92,320,383
Total Liabilities	181,690,984
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	5,196,335
NET POSITION	
Net investment in capital assets	20,240,022
Restricted for:	
Debt service	3,331,336
Capital projects	178,908
Educational programs	1,615,639
Other activities	1,095,615
Unrestricted	(69,811,281)
Total Net Position	$ (43,349,761)

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 79,173,623	$ -	$ 13,697,674
Instruction-related activities:			
Supervision of instruction	3,586,960	-	1,664,526
Instructional library, media, and technology	472,567	-	52,370
School site administration	8,719,274	-	798,107
Pupil services:			
Home-to-school transportation	3,431,359	-	71,269
Food services	6,751,842	201,572	6,264,172
All other pupil services	4,006,738	-	1,399,436
Administration:			
Data processing	524,374	-	16,785
All other administration	5,629,772	6,061	673,786
Plant services	8,509,373	-	191,648
Enterprise services	847,900	-	278,157
Interest on long-term obligations	2,455,110	-	-
Other outgo	6,759,397	-	2,093,377
Total Governmental Activities	$ 130,868,289	$ 207,633	$ 27,201,307

General revenues and subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Taxes levied for other specific purposes

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (65,475,949)
(1,922,434)
(420,197)
(7,921,167)
(3,360,090)
(286,098)
(2,607,302)
(507,589)
(4,949,925)
(8,317,725)
(569,743)
(2,455,110)
(4,666,020)
(103,459,349)
20,588,875
2,438,319
255,720
72,374,252
829,512
1,542,315
98,028,993
(5,430,356)
(37,919,405)
$ (43,349,761)

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 16,430,199	$ 18,742,986	$ 3,828,907
Receivables	3,201,315	96,313	332,031
Due from other funds	149,979	-	1,031,580
Stores inventories	-	-	55,736
Total Assets	$ 19,781,493	$ 18,839,299	$ 5,248,254
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ 205,180
Accounts payable	4,886,300	1,159,925	145,604
Due to other funds	1,031,580	-	149,979
Unearned revenue	97,342	-	-
Total Liabilities	6,015,222	1,159,925	500,763
Fund Balances:			
Nonspendable	10,000	-	55,736
Restricted	1,474,170	17,679,374	4,691,592
Committed	-	-	158
Assigned	8,989,130	-	5
Unassigned	3,292,971	-	-
Total Fund Balances	13,766,271	17,679,374	4,747,491
Total Liabilities and Fund Balances	$ 19,781,493	$ 18,839,299	$ 5,248,254

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

Total Governmental Funds
$ 39,002,092
3,629,659
1,181,559
55,736
$ 43,869,046
$ 205,180
6,191,829
1,181,559
97,342
7,675,910
65,736
23,845,136
158
8,989,135
3,292,971
36,193,136
$ 43,869,046

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 36,193,136**
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	$ 140,272,468	
Accumulated depreciation is	(79,597,128)	
Net Capital Assets		60,675,340
An internal service fund is used by the District's 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. Internal service fund net assets excluding the balance of the other postemployment benefits obligation are:		10,821,850
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		154,058
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	9,257,781	
Net change in proportionate share of net pension liability	4,334,322	
Difference between projected and actual earnings on pension plan investments	236,648	
Differences between expected and actual experience in the measurement of the total pension liability	2,088,217	
Changes of assumptions	12,740,754	
Total Deferred Outflows of Resources Related to Pensions		28,657,722

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

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

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (1,830,465)	
Difference between projected and actual earnings on pension plan investments	(2,443,950)	
Differences between expected and actual experience in the measurement of the total pension liability	(921,920)	
Total Deferred Inflows of Resources Related to Pensions		$ (5,196,335)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(92,320,383)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of a difference between expected and actual experienceand a change of assumptions.		541,101
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds, inlcuding premiums	42,862,745	
Certificates of participation, net of discounts	14,818,393	
Compensated absences	148,956	
State preschool loan	31,500	
Capital leases	402,054	
Net other postemployment benefits (OPEB) liability	23,884,974	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	727,628	
Total Long-Term Obligations		(82,876,250)
Total Net Position - Governmental Activities		**$ (43,349,761)**

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	$ 89,721,013	$ -
Federal sources	6,573,987	-
Other State sources	12,120,657	3,654
Other local sources	5,845,473	444,622
Total Revenues	114,261,130	448,276
EXPENDITURES		
Current		
Instruction	71,362,460	-
Instruction-related activities:		
Supervision of instruction	3,457,445	-
Instructional library, media and technology	459,163	-
School site administration	7,982,207	-
Pupil services:		
Home-to-school transportation	2,983,648	-
Food services	7,857	-
All other pupil services	3,600,558	-
Administration:		
Data processing	508,703	-
All other administration	5,108,651	-
Plant services	7,471,696	187,850
Facility acquisition and construction	602,963	2,424,897
Other outgo	6,759,397	-
Enterprise services	217,411	-
Debt service		
Principal	153,260	-
Interest and other	29,889	-
Total Expenditures	110,705,308	2,612,747
Excess (Deficiency) of Revenues Over Expenditures	3,555,822	(2,164,471)
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(1,500,000)	-
Net Financing Sources (Uses)	(1,500,000)	-
NET CHANGE IN FUND BALANCES	2,055,822	(2,164,471)
Fund Balance - Beginning	11,710,449	19,843,845
Fund Balance - Ending	$ 13,766,271	$ 17,679,374

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 89,721,013
6,232,716	12,806,703
2,338,902	14,463,213
3,534,639	9,824,734
12,106,257	126,815,663
1,565,832	72,928,292
942	3,458,387
-	459,163
73,636	8,055,843
-	2,983,648
6,289,662	6,297,519
235,929	3,836,487
-	508,703
245,515	5,354,166
62,072	7,721,618
-	3,027,860
-	6,759,397
596,729	814,140
1,189,927	1,343,187
1,751,901	1,781,790
12,012,145	125,330,200
94,112	1,485,463
1,500,000	1,500,000
-	(1,500,000)
1,500,000	-
1,594,112	1,485,463
3,153,379	34,707,673
$ 4,747,491	$ 36,193,136

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ 1,485,463**
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.		
Capital outlay	$ 3,131,709	
Depreciation expense	(4,788,993)	
Net Expense Adjustment		(1,657,284)
In the Statement of Activities 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). Vacation used was more than the amounts earned by $74,522.		74,522
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.		(5,688,591)
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.		(710,918)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		985,000
Certificates of participation		196,168
Capital leases		151,519
State preschool loan		10,500

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2019

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		
Amortization of deferred charges		$ (11,004)
In the government-wide financial statements, discounts and premiums on the issuance of debt are deferred and amortized on an annual basis over the life of the debt using the straight line method.		
Amortization of debt premuims	$ 146,734	
Amortization of debt discounts	(74,591)	
Net Expense Adjustment		72,143
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.		(587,725)
An internal service fund is used by the District's management to charge program costs to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		249,851
Change in Net Position of Governmental Activities		**$ (5,430,356)**

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$	10,767,537
Receivables		54,313
Total Current Assets	$	10,821,850
NET POSITION		
Restricted	$	10,821,850

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
NONOPERATING REVENUES [1]	
Interest income	$ 249,851
Total Net Position - Beginning	10,571,999
Total Net Position - Ending	$ 10,821,850

[1] The Fund did not have any operating revenues or expenses during the year.

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	$ 227,021
Cash and Cash Equivalents - Beginning	10,540,516
Cash and Cash Equivalents - Ending	$ 10,767,537

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds
ASSETS	
Deposits and investments	$ 284,210
LIABILITIES	
Due to student groups	$ 284,210

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Salinas City Elementary School District (the District) was established in 1957 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 - 6 as mandated by the State and/or Federal agencies. The District operates fourteen Transitional Kindergarten through Sixth grade elementary schools.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Salinas City Elementary School District Finance Corporation's financial activity is presented in the financial statements using the blended method as the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

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 three broad fund categories: governmental, proprietary, and fiduciary.

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

Major Governmental Funds

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

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.

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).

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

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

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

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

Debt Service Fund The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has the following proprietary funds:

Internal Service Fund Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self insurance that is accounted for in an internal service fund which accumulates future retiree benefit contributions.

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 (ASB).

Basis of Accounting - Measurement Focus

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

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

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

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

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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county pool 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 first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accounts Payable and Long-Term Obligations

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, where applicable, 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 District Plan and MPP recognize 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.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $6,221,498 of restricted net position.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental columns 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.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 49,769,629
Less overdrafts	205,180
Net government activities	49,564,449
Fiduciary funds	284,210
Total Deposits and Investments	$ 49,848,659

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

Cash on hand and in banks	$ 1,664,826
Cash in revolving	10,000
Investments	48,173,833
Total Deposits and Investments	$ 49,848,659

At June 30, 2019, the Child Development Non-Major Governmental Fund and the Cafeteria Non-Major Governmental Fund had deficit Cash in County Treasury balances of $120,680 and $84,500, respectively.

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 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	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 48,124,327	$ -	$ 48,124,327	$ -	$ -

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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, $320,384 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 2,295,537	$ -	$ -	$ -	$ 2,295,537
State Government					
State grants and entitlements	671,102	-	151,627	-	822,729
Local Sources	234,676	96,313	180,404	54,313	565,706
Total	$ 3,201,315	$ 96,313	$ 332,031	$ 54,313	$ 3,683,972

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 7,480,895	$ -	$ -	$ 7,480,895
Construction in progress	250,037	1,689,104	281,227	1,657,914
Total Capital Assets Not Being Depreciated	7,730,932	1,689,104	281,227	9,138,809
Capital Assets being depreciated				
Land improvements	11,840,709	914,913	-	12,755,622
Buildings and improvements	113,866,869	730,549	-	114,597,418
Furniture and equipment	3,702,249	78,370	-	3,780,619
Total Capital Assets Being Depreciated	129,409,827	1,723,832	-	131,133,659
Less Accumulated Depreciation				
Land improvements	6,020,213	636,098	-	6,656,311
Buildings and improvements	65,617,764	4,087,524	-	69,705,288
Furniture and equipment	3,170,158	65,371	-	3,235,529
Total Accumulated Depreciation	74,808,135	4,788,993	-	79,597,128
Governmental Activities Capital Assets, Net	$ 62,332,624	$ (1,376,057)	$ 281,227	$ 60,675,340

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 2,921,286
School site administration	239,450
Home-to-school transportation	383,119
Food services	431,009
All other general administration	191,560
Plant services	622,569
Total Depreciation Expenses, Governmental Activities	$ 4,788,993

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 149,979	$ 1,031,580
Non-Major Governmental Funds		
Child Development	31,580	-
Cafeteria	-	149,979
Debt Service	1,000,000	-
Total Non-Major Governmental Funds	1,031,580	149,979
Total Governmental Funds	$ 1,181,559	$ 1,181,559

The General Fund owes the Debt Service Non-Major Governmental Fund for Certificates of Participation payments.	$ 1,000,000
The General Fund owes the Child Development Non-Major Gevernmental Fund for a funding correction.	29,667
The General Fund owes the Child Development Non-Major Gevernmental Fund for indirect costs.	1,913
The Cafeteria Fund owes the General Fund for payroll expenditures.	149,979
Total	$ 1,181,559

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, 2019, consisted of the following:

The General Fund transferred to the Debt Service Non-Major Governmental Fund for Certificates of Participation payments.	$ 1,500,000

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendors payable	$ 3,244,995	$ 1,159,925	$ 120,188	$ 4,525,108
State principal apportionment	1,292,449	-	-	1,292,449
Accrued payroll	348,856	-	25,416	374,272
Total	$ 4,886,300	$ 1,159,925	$ 145,604	$ 6,191,829

NOTE 8 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	$ 9,254
State categorical aid	88,088
Total	$ 97,342

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018, as Restated	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds:					
Current Interest 2008 - Series B	$ 3,275,000	$ -	$ 40,000	$ 3,235,000	$ 60,000
Current Interest 2008 - Series C	6,275,000	-	545,000	5,730,000	310,000
Capital Appreciation 2008 - Series C	13,861,378	587,725	-	14,449,103	-
Current Interest 2018 - Refunding Bonds	18,330,000	-	400,000	17,930,000	475,000
Bond premiums	2,393,004	-	146,734	2,246,270	-
Certificates of participation (COP)	16,534,144	-	196,168	16,337,976	256,840
COP discounts	(1,594,174)	-	(74,591)	(1,519,583)	-
Compensated absences	223,478	-	74,522	148,956	-
State preschool loan	42,000	-	10,500	31,500	10,500
Capital leases	553,573	-	151,519	402,054	157,672
Other postemployment benefits (OPEB) liability	22,632,955	2,641,194	1,389,175	23,884,974	-
Total	$ 82,526,358	$ 3,228,919	$ 2,879,027	$ 82,876,250	$ 1,270,012

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The Debt Service Fund makes payments for the certificates of participation. The Child Development Fund makes payments on the State Preschool loan. The General Fund makes payments on the capital leases. The compensated absences and other postemployment benefits will be paid by the fund for which the employee worked.

Bonded Debt

General Obligation Bonds 2008 Election, Series A and Series B

On September 24, 2008, the District issued $25,000,000 of 2008 Election, Series A and Series B General Obligation Bonds, to finance the acquisition, construction and improvement of certain public facilities of the District, prepay certain outstanding certificates of participation of the District, and pay certain costs of issuance of the bonds.

On March 1, 2018, the District issued 2008 Election, Series C General Obligation Bonds in the total amount of $19,996,475. The bonds were issued as current interest bonds in the amount of $6,275,000 and capital appreciation bonds in the amount of $13,721,475. The bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities, pay capitalized interest for the bonds, and pay certain costs of issuance of the bonds.

On March 1, 2018, the District issued $18,670,000 of 2018 General Obligation Refunding Bonds, Series A. The bonds were issued to refund, on a current basis, the District's 2008A General Obligation Bonds maturing on July 1, 2022 through and including July 1, 2023, and to pay the cost of issuance of the bonds.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2018	Issued/ Accreted	Redeemed	Bonds Outstanding June 30, 2019
2008 Series B, Current Interest Bonds:							
09/24/08	06/30/33	2.2 - 7.2	$25,000,000	$ 3,275,000	$ -	$ 40,000	$ 3,235,000
2008 Series C, Current Interest Bonds:							
03/01/18	07/01/33	3.0 - 5.0	6,275,000	6,275,000	-	545,000	5,730,000
2008 Series C, Capital Appreciation Bonds							
03/01/18	07/01/42	4.07-4.35	13,721,475	13,721,475	-	-	13,721,475
Accreted interest				139,903	587,725	-	727,628
2018 Refunding Current Interest Bonds							
03/01/18	07/01/33	2.0 - 5.0	18,670,000	18,330,000	-	400,000	17,930,000
Total				$41,741,378	$ 587,725	$ 985,000	$ 41,344,103

Debt Service Requirements to Maturity

The bonds mature as follows:

2008 Election, Series B Current Interest Bonds

Fiscal Year	Principal	Interest	Total
2020	$ 60,000	$ 237,772	$ 297,772
2021	75,000	233,362	308,362
2022	95,000	227,850	322,850
2023	115,000	220,868	335,868
2024	140,000	212,415	352,415
2025-2029	1,130,000	868,404	1,998,404
2030-2033	1,620,000	315,315	1,935,315
Total	$ 3,235,000	$ 2,315,986	$ 5,550,986

2008 Election, Series C Current Interest Bonds

Fiscal Year	Principal	Interest	Total
2020	$ 310,000	$ 246,431	$ 556,431
2021	300,000	237,131	537,131
2022	285,000	225,131	510,131
2023	285,000	210,881	495,881
2024	340,000	196,631	536,631
2025-2029	2,065,000	705,156	2,770,156
2030-2033	2,145,000	182,734	2,327,734
Total	$ 5,730,000	$ 2,004,095	$ 7,734,095

2008 Election, Series C Capital Appreciation Bonds

Maturity	Original Denominational Obligation	Accreted Obligation	Final Maturity
2034	$ 1,821,513	$ 1,915,132	$ 3,505,000
2035	1,799,754	1,892,682	3,630,000
2036	1,776,327	1,869,699	3,765,000
2037	1,431,699	1,507,320	3,180,000
2038	1,419,726	1,494,900	3,300,000
2039-2042	5,472,456	5,769,370	14,450,000
Total	$ 13,721,475	$ 14,449,103	$ 31,830,000

2018 General Obligation Refunding Bonds

Fiscal Year	Principal	Interest	Total
2020	$ 475,000	$ 772,913	$ 1,247,913
2021	565,000	753,913	1,318,913
2022	660,000	725,663	1,385,663
2023	770,000	692,663	1,462,663
2024	885,000	654,163	1,539,163
2025-2029	6,450,000	2,477,060	8,927,060
2030-2033	8,125,000	701,349	8,826,349
Total	$ 17,930,000	$ 6,777,724	$ 24,707,724

Certificates of Participation

2010 Issuance

In July 2010, the District issued $11,000,000 of certificates of participation, with interest of 5.44 percent for the acquisition, modernization improvement and construction of District facilities. The certificates of participation have semi-annual interest payments, with principal payments commencing in October 2023 through July 2027. The certificates qualified as school construction bonds whereby the federal government will subsidize the interest obligation.

Scheduled payments for the COPs are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ -	$ 598,400	$ 598,400
2021	-	598,400	598,400
2022	-	598,400	598,400
2023	-	598,400	598,400
2024	2,200,000	538,560	2,738,560
2025-2028	8,800,000	927,520	9,727,520
Total	$ 11,000,000	$ 3,859,680	$ 14,859,680

2013 Issuances

In May 2013, the District issued $6,723,066 of certificates of participation, with interest of 3.5 percent in two private placements for the installation of the district-wide solar project. The certificates of participation have quarterly principal and interest payment requirements. The principal payments commence February 1, 2014, while the interest payments commenced on June 1, 2013. The obligation will be paid in full by November 1, 2030.

Scheduled payments for the COPs are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 256,840	$ 183,578	$ 440,418
2021	288,623	174,179	462,802
2022	322,574	163,638	486,212
2023	358,821	151,882	510,703
2024	397,495	138,824	536,319
2025-2029	2,662,637	446,398	3,109,035
2030-2031	1,050,986	32,720	1,083,706
Total	$ 5,337,976	$ 1,291,219	$ 6,629,195

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $148,956.

Preschool Revolving Facilities Loan

The District has entered into an agreement to fund facilities acquisitions with an interest free loan with the California Department of Education. The District's liability on this agreement is summarized below:

	Amount
Balance, July 1, 2018	$ 42,000
Payments	10,500
Balance, June 30, 2019	$ 31,500

The loan has minimum payments as follows:

Year Ending June 30,	Annaul Payment
2020	$ 10,500
2021	10,500
2022	10,500
Total	$ 31,500

Capital Leases

The District has entered into agreements for various equipment. The District's liability on lease agreements is summarized below:

	Amount
Balance, July 1, 2018	$ 553,573
Payments	151,519
Balance, June 30, 2019	$ 402,054

Year Ending June 30,	Annaul Payment
2020	$ 179,367
2021	132,974
2022	132,974
Total	445,315
Less: Amount Representing Interest	43,261
Present Value of Minimum Lease Payments	$ 402,054

Net Other Postemployment Benefits (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 23,410,527	$ 541,101	$ 754,474
Medicare Premium Payment (MPP) Program	474,447	-	(43,556)
Total	$ 23,884,974	$ 541,101	$ 710,918

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	63
Active employees	726
Total	789

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Salinas Elementary Teachers' Council (SETC), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, SETC, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $1,345,619 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $23,410,527 was measured as of June 30, 2019, by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

The total OPEB liability in the July 31, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	3.00 percent, average, including inflation
Investment rate of return	3.6 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.00 percent for 2018, decreasing to 4.75 percent for 2023 and thereafter

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actual experience study for the period through July 1, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2018	$ 22,114,952
Service cost	1,183,977
Interest	848,479
Differences between expected and actual experience	236,559
Changes of assumptions or other inputs	372,179
Benefit payments	(1,345,619)
Net change in total OPEB liability	1,295,575
Balance, June 30, 2019	$ 23,410,527

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 3.75 percent to 3.6 percent since the previous valuation. There were no changes in the health care cost trend rate since the previous valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (2.6%)	$ 25,520,834
Current discount rate (3.6%)	23,410,527
1% increase (4.6%)	21,496,130

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.00% decreasing to 3.75%)	$ 20,950,434
Current healthcare cost trend rate (6.00% decreasing to 4.75%)	23,410,527
1% increase (7.00% decreasing to 5.75%)	26,316,367

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $754,474. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 210,275
Changes of assumptions	330,826
Total	$ 541,101

The deferred outflows of resources related to differences between expected and actual experience in the measurement of the total OPEB 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.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ 67,637
2020	67,637
2021	67,637
2022	67,637
2022	67,637
Thereafter	202,916
Total	$ 541,101

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $474,447 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1240 percent and 0.1231 percent, resulting in a net increase in the proportionate share of 0.0009 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(43,556).

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	$ 524,763
Current discount rate (3.87%)	474,447
1% increase (4.87%)	429,016

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 432,648
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	474,447
1% increase (4.7% Part A and 5.1% Part B)	519,402

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 10,000	$ -	$ -	$ -	$ 10,000
Stores inventories	-	-	-	55,736	55,736
Total Nonspendable	10,000	-	-	55,736	65,736
Restricted					
Legally restricted programs	1,474,170	-	-	1,181,348	2,655,518
Capital projects	-	17,679,374	-	178,908	17,858,282
Debt service	-	-	1,894,078	1,437,258	3,331,336
Total Restricted	1,474,170	17,679,374	1,894,078	2,797,514	23,845,136
Committed					
Deferred maintenance program	-	-	-	158	158
Assigned					
LCAP carryover	550,000	-	-	-	550,000
Future deficits/declining enrollment	8,439,130	-	-	-	8,439,130
Capital projects	-	-	-	5	5
Total Assigned	8,989,130	-	-	5	8,989,135
Unassigned					
Reserve for economic uncertainties	3,292,971	-	-	-	3,292,971
Total	$ 13,766,271	$ 17,679,374	$ 1,894,078	$ 2,853,413	$ 36,193,136

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. The District is a member of the Monterey and San Benito Counties Liability/Property Joint Powers Authority (MSBCLP), a joint powers authority, for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019, the District participated in the Monterey Educational Risk Management Authority (MERMA), an insurance purchasing pool. The intent of MERMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MERMA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERMA. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MERMA. Participation in MERMA is limited to districts that can meet MERMA selection criteria.

Employee Medical Benefits

The District has contracted with the Municipalities, Colleges, Schools Insurance Group (MCSIG) to provide employee health benefits. MCSIG is a shared risk pool comprised of member districts in Monterey County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 63,468,824	$ 19,568,984	$ 5,196,335	$ 8,327,430
CalPERS	28,851,559	9,088,738	-	6,618,942
Total	$ 92,320,383	$ 28,657,722	$ 5,196,335	$ 14,946,372

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $6,358,730.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 63,468,824
State's proportionate share of the net pension liability associated with the District	36,338,870
Total	$ 99,807,694

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0691 percent and 0.0680 percent, resulting in a net increase in the proportionate share of 0.0011 percent.

For the year ended June 30, 2019, the District recognized pension expense of $8,327,430. In addition, the District recognized pension expense and revenue of $4,268,998 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,358,730	$ -
Net change in proportionate share of net pension liability	3,153,387	1,830,465
Difference between projected and actual earnings on pension plan investments	-	2,443,950
Differences between expected and actual experience in the measurement of the total pension liability	196,814	921,920
Changes of assumptions	9,860,053	-
Total	$ 19,568,984	$ 5,196,335

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

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

Year Ended June 30,	Deferred Inflows of Resources
2020	$ 530,651
2021	(385,055)
2022	(2,050,379)
2023	(539,167)
Total	$ (2,443,950)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,195,510
2021	2,195,510
2022	2,195,507
2023	2,007,919
2024	1,754,350
Thereafter	109,073
Total	$ 10,457,869

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 92,974,400
Current discount rate (7.10%)	63,468,824
1% increase (8.10%)	39,005,838

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $2,899,051.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $28,851,559. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1082 percent and 0.1037 percent, resulting in a net increase in the proportionate share of 0.0045 percent.

For the year ended June 30, 2019, the District recognized pension expense of $6,618,942. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	$ 2,899,051
Net change in proportionate share of net pension liability	1,180,935
Difference between projected and actual earnings on pension plan investments	236,648
Differences between expected and actual experience in the measurement of the total pension liability	1,891,403
Changes of assumptions	2,880,701
Total	$ 9,088,738

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

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

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 860,740
2021	205,839
2022	(659,636)
2023	(170,295)
Total	$ 236,648

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 2,653,793
2021	2,464,573
2022	834,673
Total	$ 5,953,039

Actuarial Methods and Assumptions

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 42,006,490
Current discount rate (7.15%)	28,851,559
1% increase (8.15%)	17,937,660

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 contribute to Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $3,353,841 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

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

NOTE 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, 2019.

Litigation

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

Construction Commitments

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

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Lincoln asphalt repair	$ 716,867	August 1, 2019
Lincoln Administrative office remodel	271,525	August 1, 2019
Lincoln window replacement	337,677	October 14, 2019
Roosevelt window replacement	159,665	October 14, 2019
Sherwood fire alarm upgrade	263,586	August 1, 2019
Sherwood Administrative office remodel	67,509	August 1, 2019
Laurel Wood roof replacement	429,322	August 1, 2019
Total	$ 2,246,151	

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

The District has one administrator appointed to the governing board of MERMA.

During the year ended June 30, 2019, the District made payments of $1,859,207 to MERMA for workers' compensation coverage.

The District has one administrator appointed to the governing board of MCSIG.

During the year ended June 30, 2019, the District made payments of $15,427,914 to MCSIG for health and welfare coverage.

The District has one administrator appointed to the governing board of MSBCLP.

During the year ended June 30, 2019, the District made payments of $562,840 to MSBCLP for property and liability coverage.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

In the prior year, accreted interest on the District's capital appreciation bonds was miscalculated resulting in a misstatement of the ending bond obligation. As a result, the effect on the current year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ (38,645,405)
Restatement of prior year capital appreciation bond balance	726,000
Net Position - Beginning as Restated	$ (37,919,405)

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REQUIRED SUPPLEMENTARY INFORMATION

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 88,705,940	$ 89,706,446	$ 89,721,013	$ 14,567
Federal sources	5,994,362	6,969,232	6,573,987	(395,245)
Other State sources	9,436,041	9,027,032	12,120,657	3,093,625
Other local sources	4,752,642	5,209,541	5,845,473	635,932
Total Revenues	108,888,985	110,912,251	114,261,130	3,348,879
EXPENDITURES				
Current				
Certificated salaries	41,900,574	41,988,810	41,864,338	124,472
Classified salaries	15,492,175	14,952,538	14,662,357	290,181
Employee benefits	32,087,891	31,074,222	33,870,420	(2,796,198)
Books and supplies	5,371,854	5,127,682	2,995,624	2,132,058
Services and operating expenditures	10,150,141	11,021,495	10,022,797	998,698
Capital outlay	566,820	860,697	592,741	267,956
Other outgo	8,029,463	6,590,182	6,513,882	76,300
Debt service - principal	128,519	154,494	153,260	1,234
Debt service - interest	45,350	70,580	29,889	40,691
Total Expenditures	113,772,787	111,840,700	110,705,308	1,135,392
Excess (Deficiency) of Revenues Over Expenditures	(4,883,802)	(928,449)	3,555,822	4,484,271
Other Financing Uses				
Transfers out	(500,000)	(500,000)	(1,500,000)	(1,000,000)
NET CHANGE IN FUND BALANCES	(5,383,802)	(1,428,449)	2,055,822	3,484,271
Fund Balance - Beginning	11,710,449	11,710,449	11,710,449	-
Fund Balance - Ending	$ 6,326,647	$ 10,282,000	$ 13,766,271	$ 3,484,271

[1] On behalf payments of $3,417,821 relating to Senate Bill 90 (Chapter 33, Statutes of 2019) are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

	2019	2018
Total OPEB Liability		
Service cost	$ 1,183,977	$ 1,192,598
Interest	848,479	779,746
Difference between expected and actual experience	236,559	-
Changes of assumptions	372,179	-
Benefit payments	(1,345,619)	(1,301,241)
Net change in total OPEB liability	1,295,575	671,103
Total OPEB liability - beginning	22,114,952	21,443,849
Total OPEB liability - ending	$ 23,410,527	$ 22,114,952
Covered payroll	N/A [1]	N/A [1]
District's total OPEB liability as a percentage of covered payroll	N/A [1]	N/A [1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.1240%	0.1231%
District's proportionate share of the net OPEB liability	$ 474,447	$ 518,003
District's covered payroll	N/A [1]	N/A [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A [1]	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

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

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

See accompanying note to required supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability (asset)	0.0691%	0.0680%
District's proportionate share of the net pension liability (asset)	$ 63,468,824	$ 62,895,338
State's proportionate share of the net pension liability (asset) associated with the District	36,338,870	37,208,351
Total	$ 99,807,694	$ 100,103,689
District's covered payroll	$ 39,630,485	$ 36,901,002
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	160.15%	170.44%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability (asset)	0.1082%	0.1037%
District's proportionate share of the net pension liability (asset)	$ 28,851,559	$ 24,767,362
District's covered payroll	$ 14,529,753	$ 13,333,533
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	198.57%	185.75%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.0714%	0.0678%	0.0648%
$ 57,719,072	$ 45,668,903	$ 37,857,550
32,858,438	24,153,815	22,860,023
$ 90,577,510	$ 69,822,718	$ 60,717,573
$ 35,874,641	$ 31,705,552	$ 28,219,164
160.89%	144.04%	134.16%
70%	74%	77%
0.0981%	0.0956%	0.0807%
$ 19,383,049	$ 14,093,540	$ 9,163,762
$ 11,810,914	$ 10,580,724	$ 8,194,328
164.11%	133.20%	111.83%
74%	79%	83%

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

	2019	2018
CalSTRS		
Contractually required contribution	$ 6,358,730	$ 5,718,679
Contributions in relation to the contractually required contribution	6,358,730	5,718,679
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 39,058,538	$ 39,630,485
Contributions as a percentage of covered payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 2,899,051	$ 2,256,616
Contributions in relation to the contractually required contribution	2,899,051	2,256,616
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 16,050,554	$ 14,529,753
Contributions as a percentage of covered payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

2017	2016	2015
$ 4,642,146	$ 3,849,349	$ 2,815,454
4,642,146	3,849,349	2,815,454
$ -	$ -	$ -
$ 36,901,002	$ 35,874,641	$ 31,705,552
12.58%	10.73%	8.88%
$ 1,851,761	$ 1,399,239	$ 1,245,456
1,851,761	1,399,239	1,245,456
$ -	$ -	$ -
$ 13,333,533	$ 11,810,914	$ 10,580,724
13.888%	11.847%	11.771%

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.75 percent to 3.6 percent since the previous valuation. There were no changes in the health care cost trend rate since the previous valuation.

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

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Schedule of District Contributions

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

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Supplementary Information

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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):			
Title I, Part A - Basic	84.010	14329	$ 2,571,627
Title I, Part C - Migrant Education, Regular	84.011	14838	957,662
Title I, Part C - Migrant Education, Summer	84.011	10005	241,428
Title II, Part A - Supporting Effective Instruction	84.367	14341	318,150
Title III, English Language Acquisition - LEP	84.365	14346	385,711
Title III, English Language Acquisition - IEP	84.365	15146	1,552
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	168,576
Special Education Cluster: Special Education - Part B, Section 611	84.027	13379	1,437,603
Total U.S. Department of Education			6,082,309
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medicaid Cluster:			
Medi-Cal Adminstative Activities	93.778	10060	282,237
Medi-Cal Billing Option	93.778	10013	209,441
Subtotal - Medicaid Cluster			491,678
Total U.S. Department of Health and Human Services			491,678
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	3,745,801
Especially Needy Breakfast	10.553	13526	1,126,603
Summer Food Program	10.559	13004	107,339
Food Distribution - Commodities	10.555	13391	405,092
Subtotal - Child Nutrition Cluster			5,384,835
Child and Adult Care Food Program	10.558	13666	567,231
Total U.S. Department of Agriculture			5,952,066
Total Expenditures of Federal Awards			$ 12,526,053

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Salinas City Elementary School District was established 1957 and consists of an area comprising approximately fourteen square miles located in Monterey County. The District operates fourteen Transitional Kindergarten through Sixth grade elementary schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Amy Ish	President	2020
Kathryn Ramirez	Vice President	2022
Francisco Estrada	Clerk	2020
Stephen Kim	Member	2022
Art Galimba	Member	2022

ADMINISTRATION

Martha L. Martinez	Superintendent
Sara M. Perez	Assistant Superintendent, Business Services
Lori Sanders	Assistant Superintendent, Educational Services
Alejandro Hogan	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,679.32	4,681.30
Fourth through sixth	3,617.83	3,615.47
Total Regular ADA	8,297.15	8,296.77
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.53	2.53
Fourth through sixth	0.82	0.82
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.35	3.35
Total ADA	8,300.50	8,300.12

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

Grade Level	1986-1987 Minutes Requirement	2018-2019 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,020	180	N/A	Complied
Grade 2		51,020	180	N/A	Complied
Grade 3		51,020	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,405	180	N/A	Complied
Grade 5		54,405	180	N/A	Complied
Grade 6		54,405	180	N/A	Complied

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND				
Revenues and other sources	$ 108,949,897	$ 114,261,131	$ 106,109,093	$ 105,295,854
Expenditures and other uses	111,193,128	110,705,309	107,310,508	101,769,243
Other uses and transfers out	500,000	1,500,000	-	-
Total Expenditures and Other Uses	111,693,128	112,205,309	107,310,508	101,769,243
INCREASE/(DECREASE) IN FUND BALANCE	$ (2,743,231)	$ 2,055,822	$ (1,201,415)	$ 3,526,611
ENDING FUND BALANCE	$ 11,023,040	$ 13,766,271	$ 11,710,449	$ 12,911,864
AVAILABLE RESERVES [2]	$ 3,330,394	$ 3,292,971	$ 3,229,231	$ 3,245,970
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.0%	3.0%	3.0%	3.2%
LONG-TERM OBLIGATIONS [3]	Not Available	$ 82,876,250	$ 83,252,358	$ 61,438,474
AVERAGE DAILY ATTENDANCE AT P-2	8,158	8,301	8,398	8,593

The General Fund balance has increased by $854,407 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $2,743,231 (19.9 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $21,437,776 over the past two years due primarily to the issuance of general obligation bonds and the implementation of GASB Statement No. 75.

Average daily attendance has decreased by 292 over the past two years. Additional decline of 143 ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.

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

[3] The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

[4] On behalf payments of $3,417,839 relating to Senate Bill 90 (Chapter 33, Statutes of 2019) have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ -	$ 1,320,975	$ 158
Receivables	328,856	700	-
Due from other funds	31,580	-	-
Stores inventories	-	55,736	-
Total Assets	$ 360,436	$ 1,377,411	$ 158
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ 120,680	$ 84,500	$ -
Accounts payable	98,287	47,317	-
Due to other funds	-	149,979	-
Total Liabilities	218,967	281,796	-
Fund Balances:			
Nonspendable	-	55,736	-
Restricted	141,469	1,039,879	-
Committed	-	-	158
Assigned	-	-	-
Total Fund Balances	141,469	1,095,615	158
Total Liabilities and Fund Balances	$ 360,436	$ 1,377,411	$ 158

See accompanying note to supplementary information.

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
	$ 178,066	$ 64	$ 5	$ 1,894,078	$ 435,561	$ 3,828,907
	778	-	-	-	1,697	332,031
	-	-	-	-	1,000,000	1,031,580
	-	-	-	-	-	55,736
	$ 178,844	$ 64	$ 5	$ 1,894,078	$ 1,437,258	$ 5,248,254
	$ -	$ -	$ -	$ -	$ -	$ 205,180
	-	-	-	-	-	145,604
	-	-	-	-	-	149,979
	-	-	-	-	-	500,763
	-	-	-	-	-	55,736
	178,844	64	-	1,894,078	1,437,258	4,691,592
	-	-	-	-	-	158
	-	-	5	-	-	5
	178,844	64	5	1,894,078	1,437,258	4,747,491
	$ 178,844	$ 64	$ 5	$ 1,894,078	$ 1,437,258	$ 5,248,254

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ -	$ 5,952,066	$ -
Other State sources	1,834,026	489,107	-
Other local sources	728,503	256,753	-
Total Revenues	2,562,529	6,697,926	-
EXPENDITURES			
Current			
Instruction	1,565,832	-	-
Instruction-related activities:			
Supervision of instruction	942	-	-
School site administration	73,636	-	-
Pupil services:			
Food services	-	6,289,662	-
All other pupil services	235,929	-	-
Administration:			
All other administration	56,397	189,118	-
Plant services	9,850	-	-
Enterprise services	596,729	-	-
Debt service			
Principal	10,500	-	-
Interest and other	-	-	-
Total Expenditures	2,549,815	6,478,780	-
Excess (Deficiency) of Revenues Over Expenditures	12,714	219,146	-
Other Financing Sources			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	12,714	219,146	-
Fund Balance - Beginning	128,755	876,469	158
Fund Balance - Ending	$ 141,469	$ 1,095,615	$ 158

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 280,650	$ 6,232,716
-	-	-	15,769	-	2,338,902
60,492	29	-	2,480,487	8,375	3,534,639
60,492	29	-	2,496,256	289,025	12,106,257
-	-	-	-	-	1,565,832
-	-	-	-	-	942
-	-	-	-	-	73,636
-	-	-	-	-	6,289,662
-	-	-	-	-	235,929
-	-	-	-	-	245,515
52,222	-	-	-	-	62,072
-	-	-	-	-	596,729
-	-	-	983,258	196,169	1,189,927
-	-	-	1,168,921	582,980	1,751,901
52,222	-	-	2,152,179	779,149	12,012,145
8,270	29	-	344,077	(490,124)	94,112
-	-	-	-	1,500,000	1,500,000
8,270	29	-	344,077	1,009,876	1,594,112
170,574	35	5	1,550,001	427,382	3,153,379
$ 178,844	$ 64	$ 5	$ 1,894,078	$ 1,437,258	$ 4,747,491

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides a reconciliation between Federal 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 federal interest subsidy received.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 12,806,703
Reconciling items:		
Federal interest subsidy	Unknown	(280,650)
Total Schedule of Expenditures of Federal Awards		$ 12,526,053

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

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INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Salinas City Elementary School District
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas City Elementary School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Salinas City Elementary School District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the District's capital assets beginning balance was restated based on the results of an updated asset valuation. Accordingly, this adjustment was corrected in the current year and has resulted in a restatement of Net Position as of July 1, 2018. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Fresno, California
December 16, 2019

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

Governing Board
Salinas City Elementary School District
Salinas, California

Report on Compliance for Each Major Federal Program

We have audited Salinas City Elementary School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Salinas City Elementary School District's major Federal programs for the year ended June 30, 2019. Salinas City Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Salinas City Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Fresno, California
December 16, 2019

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Salinas City Elementary School District
Salinas, California

Report on State Compliance

We have audited Salinas City Elementary School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Salinas City Elementary School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Salinas City Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Salinas City Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Salinas City Elementary School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Salinas City Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
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)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

We did not perform Continuation Education procedures because the program is not offered by the District.

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

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

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

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

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

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

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

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

Eide Bailly LLP

Fresno, California
December 16, 2019

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Schedule of Findings and Questioned Costs

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

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

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A - Basic
84.011	Migrant Education Programs

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

None reported.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

None reported.

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

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